

REPORT OF PROCEEDINGS BEFORE

COMMITTEE ON COMMUNITY SERVICES

**INQUIRY INTO OUTSOURCING COMMUNITY SERVICE
DELIVERY**

At Sydney on Tuesday 2 April 2013

The Committee met at 9.00 a.m.

PRESENT

Mr K. J. Anderson (Chair)

Mr K. F. Conolly

Mr A. Issa

The Hon. B. M. Perry

CHAIR: Good morning and thank you for attending this last public hearing of the Legislative Assembly Committee on Community Services on its inquiry into outsourcing community service delivery. I declare the hearing open. The public hearing held today follows three days of hearings that were conducted last year and two days of inspections where the Committee observed service delivery in inner and outer parts of metropolitan Sydney, as well as at Narrabri and Walgett. The inspections proved particularly valuable in allowing Committee members to examine service delivery on the ground and to talk directly to service providers in rural and remote areas of the State.

The inquiry is looking at the adequacy of current regulatory, legislative and other available measures to safeguard the integrity of service provision and to ensure that clients are not disadvantaged as a result of the changes in the delivery process. The Committee is seeking to find more effective strategies to assist service providers on the ground, to share resources, build capacity and take advantage of improved technology to meet the needs of clients. Additionally, the Committee is examining ways to ensure that all providers are fully accountable for the funds and resources they are charged with responsibility for administering.

I remind everybody to switch off mobile phones as they can interfere with Hansard recording equipment. If your phone is on silent, please switch it off completely. I now welcome our witnesses from the New South Wales Department of Family and Community Services, which has a major role in this area of service delivery and oversight. Thank you for appearing before the Committee today.

MAREE WALK, Chief Executive of Community Services, Department of Family and Community Services, and

JAMES MOORE, Director General, Department of Family and Community Services, affirmed and examined:

CHAIR: Can you please confirm that you have received a copy of the Committee's terms of reference and information about the examination of witnesses. Do you have any questions concerning these procedures?

Ms WALK: No.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

Ms WALK: I would.

CHAIR: Mr Moore, can you please confirm that you have received a copy of the Committee's terms of reference and information about the examination of witnesses. Do you have any questions concerning these procedures?

Mr MOORE: I have received the documents and I have no questions.

CHAIR: I draw your attention to the fact that your evidence is given under Parliamentary privilege under which you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited we may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

Mr MOORE: Yes, I would.

CHAIR: Would you like to make a brief opening statement of not more than five minutes?

Mr MOORE: Apart from indicating that we are happy to be here to assist the Committee, I do not have a statement to lead.

CHAIR: Mr Moore, there has been much criticism of the onerous compliance costs to non-government organisations [NGOs] of reporting on funding provided. Some funding packages involve small amounts of money. What is your response to claims that reporting arrangements are disproportionate to the amounts of funding provided for delivering services?

Mr MOORE: We have a range of reporting requirements that are structured to reflect that you have different expectations of what somebody would need to provide to you when they have received a small amount of funds compared to large amounts.

CHAIR: Could you speak a little more loudly?

Mr MOORE: I will start again, if you please, Chair. Our requirements for reporting for agencies that we fund are structured so that we have different levels of requirement, depending upon mainly the amount of money that an organisation receives but also some other risk factors. I am aware of organisations that have made the sorts of complaints that you are referring to. Over several years now we have been going through processes to try to refine and make our requirements less and less onerous. We recognise that you can always try to do better, but as per the terms of reference for this Committee we also have to make sure that we get a balance between what we impose on organisations and the need to ensure accountability around the use of funds. We are always happy to have reconsideration of administrative arrangements to try to make things less and less onerous,

but at the same time we need to make sure that organisations remain accountable for any government resources and any public funds that they are expending.

CHAIR: Do you think, though, there should be differential reporting arrangements based on the quantum of funding provided?

Mr MOORE: I think that is a very useful way of making a distinction between what levels of accountability an organisation should be subject to.

Mr KEVIN CONOLLY: We did investigate some service provision in some remote and rural areas. One of the comments that was made to us was that actually finding a building in some towns is a challenge—just finding the accommodation for a service to operate from—and surprisingly the cost of that. I guess somebody like me would assume that rents are higher in Sydney and lower in country areas, but that was not what we were being told. How has that impacted on services from your point of view? Is that fully factored into the service agreements that allow them to operate effectively?

Mr MOORE: There is no one way that we would factor in costs into service agreements. That is the first point I would make. Different streams of funding come with different arrangements. We sometimes use a standard unit cost across the whole of the State; other times we would have costs arising from individual tenders. The first point is that there is not any single or one way in which those costs are recognised. But the challenge of being able to operate, particularly in more remote communities, is one that is very clear to us and very challenging. Not only is it the cost of infrastructure that we sometimes come across but also being able to find suitable workforces and indeed sometimes even finding organisations that are able to go into particular locations and operate services. It is something that I think we will always be challenged by. I keep coming back to trying to find ways to ensure that we get appropriate levels of service available in individual locations.

Mr KEVIN CONOLLY: Just to elaborate on that, my assumption early in the piece would probably have been that it is far more expensive in rural areas in terms of travel and time spent travelling rather than time spent seeing a client, but the accommodation might be offset because in Sydney you pay huge rent. If that is not the case, if there is not that offset, is it reflected in the service agreements you have or the grant procedures that services in remote and rural areas actually need a higher rate of funding in order to be able to exist?

Mr MOORE: In some cases yes, in some cases no. It is certainly something that in individual cases you would be looking at working with organisations to assist them where they do have a high overall cost structure they are facing in the sorts of circumstances you are describing—where there are not swings and roundabouts, so to speak, between the costs of travel versus the cost of accommodation. But in terms of a single blanket rule as to how we address that, the answer is we do not have one. It becomes very difficult to formulate a single standard regime that would address each of those circumstances. From where we are taking the administration of Family and Community Services, we are placing a lot more weight on more and more localised management and decision-making so that you can attune your programs and your supports to the particular needs of particular communities. The sorts of challenges that you face in rural and remote areas, as you have highlighted, can be quite extreme in some cases, but you also have similar challenges in various parts of metropolitan Sydney. So being able to have a much more attuned administration is one of the keys, I think.

Mr KEVIN CONOLLY: All right. You have alluded to the difficulties that might be present in rural and remote areas in terms of staffing. Some services require significant expertise, such as specialist people on the ground, and that can be a real challenge, as we heard in Walgett, for people to access the range of services that might be needed to help particular people. What strategies are in place to address that particular challenge?

Mr MOORE: The challenge in Walgett itself?

Mr KEVIN CONOLLY: The challenge of finding specialists who will meet those needs in remote communities.

Mr MOORE: We have a variety of means of trying to address that, ranging from literally being able to take or transport staff in for short periods to actually providing for clients to visit specialist services in other locations and reflecting that in how we are assisting them. A variety of recruitment campaigns have been organised to target particular sorts of skills that we might want to get. I cannot tell you the detail off the top of my head, but there are several non-government organisations that have proved particularly adept in some

locations at being able to attract specialist staff. That then leads us to working more closely with them to ensure that we can get to the levels of service into particular locations.

Ms WALK: I will expand on that. I know in Community Services, because this issue is a lot of concern for us, one of the things that we look at is how we can retain staff when we recruit people. Often the issue is not so much recruiting them but actually retaining staff as well. Retention is as big an issue as the recruitment. There are things like really supporting people with strong learning and development programs, supporting them with other mechanisms so that they feel like they are part of the whole and that they do not see themselves as only delivering services in a non-government organisation, but they are part of the whole child and family sector as well. Many of them focus on that. I work with some of the peak agencies as well to be able to support them to be able to deliver training to agencies in quite far and remote areas as well. So the retention issue is, I think, as much a part of the issue as is recruitment as well.

Mr KEVIN CONOLLY: Where the department itself provides a service rather than contracting it out, is this still a challenge, the recruitment and retention of specialist staff?

Mr MOORE: Absolutely.

Ms WALK: I know some of our key staff met literally last week about once again saying, "How can we help service and better run both recruitment and assessment centres?" We do them always after hours. Often the workforce that you want to recruit is actually in those areas so that you want to be able to encourage people to be able to apply for positions, so you need to be very flexible about how you present the whole position of working in those areas. You need to grow the workforce locally as much as you do need to encourage young people to move to those areas to provide services as well.

CHAIR: It certainly sounds good in theory, but in practical terms it is a very difficult thing to do. We might touch a little bit later on some of those ways in which you are trying to recruit.

Mrs BARBARA PERRY: Chair, my apologies for being slightly late.

CHAIR: Not a problem.

Mrs BARBARA PERRY: I have a really bad voice today, but I will ask both of you a question—first of all, Ms Walk. To bring us up to date on where we are, I just want to know how you are learning from what you are doing currently and how that impacts on the terms of reference. The major thing that the department is doing currently in outsourcing obviously is the transition to out-of-home care. Given we are talking about a number of things this morning and that you have been asked a number of questions around workforce, around costs, around administrative arrangements, which are all part and parcel of the terms of reference we are looking at around outsourcing of government services, I would just like to ask you this: What is your experience, given that we heard the Minister the other day in the House indicate that in relation to out-of-home care, you have transitioned 695 cases, 200 of which I take it were from the former Government. Is that 400, or 695? Also, what are the learnings from that in relation to some of the issues we are talking about in this inquiry?

Ms WALK: Our figures as at 31 January 2013, we had 699 children and young people transition to an out-of-home care non-government service provider, and that includes 225 new entries to care. So we are transitioning both children who are just newly coming into care and those that have been in the care of Community Services. Obviously, sometimes with these figures, sometimes children will come in and then they will go out straightaway, or some children will transition.

Mrs BARBARA PERRY: Is that 400 since the process started under yourself?

Ms WALK: That is 474 children and young people transferred to an out-of-home care non-government provider with 301 carer households. Can I just say that that is at 31 January.

Mrs BARBARA PERRY: Of this year?

Ms WALK: Of this year. The figures have quite remarkably increased.

Mrs BARBARA PERRY: When do the figures go from—from what year to what year, can you tell me?

Ms WALK: Let me take that one and provide greater detail to you because these figures sometimes do include accumulative. Sometimes when they are cumulative they are also at a point in time.

Mrs BARBARA PERRY: I will give you the reason I want this clarified. I want to know whether the pace is the way it is because of certain limitations in outsourcing. What are the difficulties that you are experiencing?

Ms WALK: The pace initially was possibly slower than we would have anticipated, but certainly in February-March this pace has really picked up. It was slower for a number of causes. One is that some of the new organisations were becoming accredited. You might have heard there were four Aboriginal agencies accredited just in the last week. The whole point about doing the transition is that children go into accredited care. So the pace of some of those agencies that are new to New South Wales or new to out-of-home care was around them being accredited. The other issue was carers. Some carers were concerned and unclear as to why they should move to another agency. That significantly changed. We had a pretty big target of trying to move in the first 12 months and initially in the first three to six months a number of carers had concerns about that. That is certainly diminishing as carers move across. The other thing was that carers were sometimes unfamiliar with some of the non-government organisation agencies. They just did not know who they were or what they were doing. We had a lot of showcasing of non-government organisations so that they could explain how they work and what they were doing. Some carers thought that it was going to be quite intrusive when they had an NGO agency.

Mrs BARBARA PERRY: I understand that. What about things like workforce capacity for the non-government organisations? What is that looking like at the moment? What is the department doing to support this type of outsourcing in respect of workforce? With regard to the structure of what you are paying non-government organisations, taking into account rural and remote areas, is their flexibility around those issues? Is it taking into account everything that needs to be taken into account? What is the feedback coming back from NGOs to you?

Ms WALK: The feedback coming back in terms of the workforce has been very positive, actually. We have not had the concerns that one might have thought in the early stages as they scaled up, but that has not been something that they have mentioned. We are working very closely with the Association of Children's Welfare Agencies [ACWA], which is the peak agency, in order for them to help to build the workforce. They have been having quite a number of programs, but the workforce recruitment of NGOs has not actually been a feature at this point.

Mrs BARBARA PERRY: Are you hearing of any specific problems in relation to workforce in rural areas? We were out at Narrabri and your own department cannot fill vacancies out there: you have got a huge number of vacancies out there.

Ms WALK: Narrabri is difficult, and some of the rural towns, particularly if there is mining around. Narrabri is one area in particular that we have really struggled to recruit. If Community Services has a problem in recruiting it does not necessarily mean that a non-government organisation will have problems recruiting. Sometimes there might be a particular type of worker, whether it is a speech therapist or an occupational therapist or a psychologist, that might be hard to recruit in terms of a particular discipline, but because Community Services has a problem recruiting it does not necessarily mean that the non-government organisations will, and vice versa sometimes.

Mrs BARBARA PERRY: What we heard out on our visit in rural and remote areas—and this is also a question for you, Mr Moore—was that the Department of Health may have an occupational therapist and yet Ageing, Disability and Home Care [ADHC] might have an occupational therapist but there is no flexibility for parents because if they take the route of going OT through the health system then they cannot go back through ADHC. Similarly, if they started with ADHC and there is only a certain amount of money available to do OT or speech therapy through the Better Start Program—whatever is the Federal funding—then they cannot go into the health system automatically. What we are finding is this demarcation happening and that is affecting not only what is best for families and the children or the people that they care for but it is clearly affecting the success or otherwise of outsourcing to some extent in that there is not the flexibility between services available.

Ms WALK: Certainly one of the benefits of non-government organisation provision is that they are often able to be quite flexible in terms of how they utilise their resources. In terms of the out-of-home care

transition, we have not necessarily heard directly around their lack of flexibility or that the funding regime is making it difficult.

Mrs BARBARA PERRY: Mr Moore, have you heard of those situations where there is a problem around flexibility, particularly in the disability sector, where if you are in one system you cannot be in another or move over to another readily when your funding runs out?

Mr MOORE: I have not heard of the specific issue you describe around occupational therapists, but more generally the integration of services is one of the big challenges that we face, and I think Ms Walk has made the key point that the solution to that is going to be much more through a non-government organisation world where you can get a greater degree of responsiveness and integration and leave the operation of government programs, which need to have key lines of accountability there, but then get the service integration through—

Mrs BARBARA PERRY: Maybe I will make it a bit clearer. When we were out on our rural trip there were claims that clients have been disadvantaged by not being able to access the most accessible services in a remote area, and that was because of varying eligibility criteria. So it came down to the eligibility criteria for different parts of the health and the community services system, and in particular the disability system. Do you have any views about potential gaps in service provisions as a result of that or have you not heard of this happening?

Mr MOORE: Again, not the specific example that you have in mind. But, more generally, that is an obvious possibility that you will end up, because you have got different systems with different eligibility criteria, with people who do not fit readily into one of those streams, and that is one of the ongoing challenges. What the current Government has asked of agencies such as mine is to move to a much more integrated structure and to have a much more flexible on-the-ground arrangement so that you can overcome the sorts of difficulties that you are referring to.

Mrs BARBARA PERRY: And that would be, I assume, part and parcel of any model that looks at outsourcing, as we are?

Mr MOORE: As I said, the possibilities of being able to use non-government organisations as integrators of service is one of the very important parts of the thinking that is behind transition.

Mrs BARBARA PERRY: Or just not non-government but government and government, basically; that there be no—

CHAIR: There is a disconnect between the two, and that is what we found very clearly, that the departments were not able to work together, where there were children with significant problems that were just unable to access services because one government department was not talking to the other.

Mrs BARBARA PERRY: Or said, "My eligibility is different".

CHAIR: Basically, yes.

Mr KEVIN CONOLLY: And I think the issue was the specialist from Health was in this town and the one from Family and Community Services was in another town and they said, 'Why can't I use this service that is close to me?' and they were told, "The eligibility criteria has ruled you out".

Ms WALK: Sometimes that is where a non-government organisation can come into its own as well, because sometimes they are very good at not just putting their clients' needs but advocating with different government departments about the difficulties with the narrow programmatic funding that does not account for the multiple needs of families in various communities.

Mrs BARBARA PERRY: Basically, what you are saying is that the non-government organisation can sort it out. But it is not about needing an advocate really; it is about the actual service that is needed, and somehow, whatever this inquiry looks at, it needs to make comment on that. But you are not aware of those sorts of issues, unfortunately, in that sense.

Mr MOORE: In the particular—

Mrs BARBARA PERRY: Not that particular instance but generally speaking.

Mr MOORE: Generally, it is one of the issues that are a priority for us: to find alternative regimes that enable us to solve those problems. It is not acceptable for a client to be deprived of a service where there is a clear need for a service and the bureaucratic apparatus of government prevents that service from being delivered. We have to find ways to solve those problems.

CHAIR: That is exactly right, Mr Moore, and I sincerely hope that you do because when you look at an up to 500-kilometre round trip for a child just to get some sort of occupational therapy it is absolutely unacceptable in this day and age. I sincerely encourage you to continue down that path to break those bureaucracies down. It is very good of you to think like that.

Mr TONY ISSA: That leads me to the question I was going to ask when the issue was raised. What sort of level of consultation takes place between the agency and the Government during the tendering process and what level of contact after the tendering takes place or the funding takes place?

Mr MOORE: In terms of how we would organise tendering for services that a non-government organisation might apply for, they would typically be done with a very open process where any information, any engagement between any of the potential tenderers and the government agency doing the tendering would be transparent information made available to all, that if you are running a tendering process you are not going to in any way want to favour or be seen to be favouring one party over another.

Mr TONY ISSA: I am not talking about favouring people; I said what sort of consultation takes place beforehand. Does any consultation take place during that process?

Ms WALK: Perhaps I might give an example of a recent tender that Community Services did and that might shed some light on an answer to your question, and if it does not I am happy to give another example. We had a tender that included rural areas but for the whole of New South Wales for four different areas, and leading up to the design of the model we engaged agencies who knew this area and had an interest in, it happened to be, the nine to 15 year olds, as well as two peak agencies around that. Once we finished designing it there was no contact with any individual non-government organisation at all because of not wanting to favour any of them, and all of the information which was provided to one was provided to all. So if anybody has some questions we would put them on the website with the answer so that everybody can benefit from the question-and-answer phase.

We have a known date when it closes off. Once it is closed off we would engage a committee that selects a tender. It would have a member of the peak agency that specialised in that area and then would consult with our internal Community Services people on the ground so that it helped inform them. So it would be trying to both be informed by what the people on the ground understand about that type of service without benefiting any particular agency.

Mr TONY ISSA: What sort of contact do you have after the funding is provided? What is the level of contact you have with the organisation or the agency?

Ms WALK: Once somebody is successful in—

Mr TONY ISSA: After the successful tender has been granted, what sort of level of contact do you keep?

Ms WALK: It would depend on the nature of the service. If it is something like out-of-home care they might have a lot of contact with the people on the ground because you have got a child protection and an out-of-home care provider. If it is around the management of the contract that might be on a quarterly basis where agencies report on their performance, how they are going and their statistics, or if it is one that has been going for many years that contact might be quarterly or half-yearly.

Mr TONY ISSA: So you do not have contact with the organisation on, say, a monthly basis—somebody would drop in and check and see how they are doing? You wait for them to report back to you or to ask you a question. You do not have that sort of check?

Ms WALK: It would depend on the service that was being delivered. It is assumed that they would be part of an interagency network with other agencies so that people would be aware of it; you would be referring services to that agency, assuming that it was a service provision type of agency.

Mr TONY ISSA: So you do not go and check the supervision of these people to see how they are acting and how they are providing services, the level of the service, other than the report you receive?

Ms WALK: I see what you mean—the monitoring kind of processes.

Mr TONY ISSA: The monitoring process.

Ms WALK: For example, an out-of-home care agency is accredited by the Children's Guardian, so they would have the monitoring. In that case it would not be led by Community Services. We would be looking at their quarterly—in fact, in that case, their monthly figures, and people would be seeing them as part of the whole service network. As well, they would be part of what we call a RIG—a regional implementation group, that they would be participating in monthly. So there would be at least monthly contact with them both in terms of the quality of the service they are providing, and certainly our financial people would be looking at whether they are meeting their targets in terms of the quantity of the service they are providing.

Mr TONY ISSA: How do you handle a complaint? If you receive a complaint what process do you use?

Ms WALK: Every agency to deliver out-of-home care has to have a complaints procedure: every agency that Community Services funds has to have a complaints procedure themselves. So, internally in their own organisation they must have a complaints procedure. People can obviously also complain to Community Services, and sometimes if that is about the quality of the service we might redirect them back to the agency, or sometimes if it is a concern around any financial things then we have our own process inside Community Services to be able to ensure that we follow up on that.

Mr MOORE: Can I just supplement that by saying that the department has a range of complaints policies depending on different streams of funding, and we also make use in using those streams of funding of the Office of the Ombudsman, so that if people wish to make complaints they are directed through the Ombudsman. We also have, through the various arms of Family and Community Services, officers whose responsibility it is to monitor, and, again depending upon the type of funding regime, that will involve onsite visits.

Mr TONY ISSA: You do not have an internal review panel to investigate complaints?

Mr MOORE: No, there is not a standing panel that would be there to investigate complaints.

Ms WALK: If we received a complaint about perhaps financial misconduct or whatever we would refer that to—

Mr TONY ISSA: If I make a complaint and I go to the manager, the manager would investigate it and then say, "Okay I'm satisfied with this. I'm happy with it. Don't worry about it", and put it in the bottom of the drawer—done. That is one person who is satisfied with it. What I am asking is: Do you have a panel of three or four people to be able to look at the complaint and investigate it to make sure the decision was made correctly and that the complaint was investigated in the proper way? When people lodge a complaint will they be able to get a satisfactory answer?

Mr MOORE: No, we do not have at this point in the organisation of Family and Community Services a panel of review like you are referring to.

Mr KEVIN CONOLLY: I would like to follow up a theme that was raised by a number of people making submissions, which is that NGOs typically use some of their own resources to supplement their operations and there is a widespread perception that they are not really funded to the level that would enable them to fully operate to provide the whole service in the way that the Government might. Are you able to comment on that from the cost perspective of delivering services directly yourselves as the department and what it costs in terms of funding NGOs to provide that same service—other levels comparable—from your point of view?

Mr MOORE: Taking the last part of that question first—the comparability between the cost of service delivery where the government provider is doing it compared to an NGO, there is not a single answer to that. If you have looked at disability services most typically the cost of government provision is that its unit costs are higher than for non-government providers but there are a number of questions of comparability even there in terms of the complexity of clients and the particular challenges that have been taken on and different ways in which people address the issues of managing risk around clients.

At the same time in Community Services with the out-of-home care arrangements the unit costs in the non-government sector are typically higher than the unit costs for the government-operated out-of-home care supervision and that is a reflection in part in terms of the level of caseworker supports that are provided to carers and their families but in terms of the first part of the question as to non-government organisations—

Mrs BARBARA PERRY: So I understand that, unit costs are higher in out-of-home care in the NGOs?

Mr MOORE: In the NGOs, yes.

Mrs BARBARA PERRY: And in Disability?

Mr MOORE: It is typically the other way around where the unit costs within the non-government sector for a group home service typically would be less than it was for a government provider but I think you have got to be very careful about that, particularly in the disability arena, once you unpack the types of clients that are being cared for and the different expectations of the level of care and regime of supports that are put around individuals.

Mrs BARBARA PERRY: So what does that mean?

Mr MOORE: It is quite typical for the more challenging clients, the clients who present at a greater level of risk to themselves or to others, to be accommodated within the government provider. When you get into the group home arrangements for disability—

Mrs BARBARA PERRY: To be accommodated in the—

Mr MOORE: To be supported by a government provider versus a non-government provider and to that end you are going to end up with a higher cost structure because you have got a range of added proportions and added supports that you have to put in place for an individual.

Mrs BARBARA PERRY: Why do they not exist in the non-government sector?

Mr MOORE: They do exist but there are a number of particularly challenging clients that the government provider has.

Mrs BARBARA PERRY: So that is why it is dearer in the government sector?

Mr MOORE: Yes, that can be one aspect as to why it is.

CHAIR: Would it be the complexities wrapped around the higher level of care required that the NGO would be unable to make any money on the funding arrangement for that particular client at this point in time, given the fact that we are moving away from this model?

Mr MOORE: You would not be expecting the NGO to be making money on the particular client. What I am saying is that some clients come with higher levels of support needs and typically—there is no hard and fast rule here—you will find a greater proportion of those in the government provider and hence unit costs will be higher but in terms of the non-government sector and the contributions that it makes to the provision of services, we would fully encourage NGOs to bring additional resources to the table for providing support arrangements for any particular individual and you would do that, not as it may first seem in terms of the issue of cost in government service provision, but you also try to bring to the table other sorts of resources so that you can get a better life outcome for an individual.

You would be looking for NGOs, be it through their philanthropic raisings, through to their connections with various volunteer groups and community groups to be able to bring a richer offering through the provision of additional resources. It is a very important part of the agenda of trying to draw the non-government sector in. When you have a child in out-of-home care, for example, you want them to be connected to a range of organisations which have a longer run view of the world than what a government provider would be in a position to do. That added resource makes a much more valuable set of supports for the individuals. So we do rely upon what is sometimes called the social capital, the non-government funded part of the support system, which is an important part of getting the right sorts of responses.

It is also very common for non-government organisations to make assertions about not having enough funding. Most people would like more funding. That is not atypical and it is indeed not irrational for organisations to be making those arguments but there also has to be a line drawn as to where government funding stops and how it is equitably distributed and we are not in a position where you would want to be simply funding every organisation for its own particular costs because that then also is a recipe for that organisation to become less efficient and one of the important criteria, which I think is made most sharply when you look at the disability arena but it is not exclusive to the disability arena, is clients who really are the beneficiaries of the funding should be expecting those funds to be used as efficiently as possible so that their funds go as far as possible.

Mr KEVIN CONOLLY: The question in my mind was: are the prices being paid at the point of tender realistic? Is there a way of benchmarking that, through your own direct experience of service provision to ensure that what is being provided is an efficient real price not one that assumes another source of funding? We would hope that non-government providers would bring something to the table that would add to quality of life, not that they would have to bring part of the basic administration costs, for instance; that that should be part of the price, one would assume?

Ms WALK: In cost unit terms we do not calculate them assuming that any NGO was bringing an amount to the table and the out-of-home care unit costs have been very transparent about this is how much for this and this is how much for the others on each line item that the NGOs have had access to showing how we calculated the unit costs. But it is not in our interests at all to underfund an agency to the sense that they were unable to deliver what we were requiring them to deliver. As Mr Moore said, we would hope that what extra they brought would be able to provide over and above what we were purchasing, if you like, but it is not in our interest to be able to underfund an agency because they would not be able to sustain the level of service provision that we are trying to purchase at the time.

Mrs BARBARA PERRY: You indicated earlier that the service provision cost or unit cost is higher in the Department of Community Services for out-of-home care. Are you worried about the fact that you are paying many NGOs less for out-of-home care under the tenders? I know you say that it is not in your interest to underfund them but you are not including things like the cost of transport in rural and remote areas—you are but not as much as what NGOs are saying that it costs to actually do that. You are not including the cost of restoration work and you are not including the cost of court work. Are you worried about that?

Ms WALK: You made the assertion about the unit cost in out-of-home care for NGOs is higher than it is in Community Services not the other way around and that it is just purely based on the staff ratios and that is where it becomes quite difficult in terms of comparing apples with apples.

Mrs BARBARA PERRY: Let us move it away from that. I am sorry; it was my misunderstanding. It is the other way around in disability. Still, nevertheless, are you confident that you have given the NGOs currently doing out-of-home care enough funds to cope with those areas of transportation, particularly in rural and remote areas, restoration work, which is not really covered in your tender or in the funding, and court work? Are you confident that there is enough there, for example?

Ms WALK: The restoration and the court work is work that we are doing now and my understanding is that most of the NGOs know that we have had a number of discussions at the ministerial advisory group, so that piece of work we are still costing. We are not assuming that that is sitting in the unit cost. I think part of what you are saying is that really we need to be very transparent about what is included in the unit cost and what is not.

Mrs BARBARA PERRY: Yes.

Ms WALK: And be clear about what our expectations are in terms of services between government and non-government. The example about the court work is that we need to be able to have fairly tough and realistic conversations with our NGO counterparts around: what does casework entail? Does casework entail court work or not?

CHAIR: And travel as well?

Ms WALK: Yes, that is right.

CHAIR: For example, they might go and—

Mrs BARBARA PERRY: Visit a kid.

CHAIR: Absolutely, but there is not only the transport cost; we have also heard from a number of NGOs that the funding was skinny to the point where it provided the service only but none of the wraparound, for example, infrastructure, maintenance costs, transport and food. Do you think that tendering documents should itemise those components to the point where it asks: what is it actually going to cost to deliver that service, not to have to stand by the bed or grab that five or six-year-old or whatever the case may be?

Mr MOORE: I hope this is helpful in the sense that it is not a simple way of resolving this problem. When we moved to the out-of-home care, one of the key features requested among other players by the non-government sector was that we had a standardised unit price. Previously we had different prices for different organisations and different locations and part of what we did was move to a clear agreed unit price and that was what we then proceeded to tender around.

The balancing act in this area is between prescribing all of the minutiae that individual NGOs will get up to, what they are required to do and trying to get that balance with the fact that NGOs can provide services in a variety of ways and indeed have got the flexibility to operate in different ways and that you want to actually give an organisation the ability to solve the service delivery problems its way rather than prescribing every last element—to be able to strike a balance between those two.

CHAIR: So you are saying one size fits all, whether you are funding someone in the inner city versus someone five, six or seven kilometres away or do you have remote funding as opposed to an inner city model methodology?

Mrs BARBARA PERRY: Bearing in mind that the unit price currently in out-of-home care, as you have rightly said, is a static unit price across; bearing in mind that is the case, you said that?

Ms WALK: I was going to say a couple of things about it. It is a difficulty because, for example, one of the components in a unit price is contingency and we have tried to scale according to the needs of the child, and we have tried to scale it from what we call general foster care plus one and plus two, so that the child who comes in and is assessed as having higher needs will attract a higher payment. For a non-government organisation [NGO] then there is obviously the issue of: Do I give that higher payment to the carer, or do I use that higher payment cost to be able to wrap the services around? We are saying that is the decision of the NGO; not the decision of the funder in that case.

In a similar way we are using the contingency amount there, so it is a couple of thousand per child per year. We are not saying they have to spend that contingency on a particular item. They can bundle it all together and buy a vehicle for the carer if they need to make that placement more stable. They might purchase other services with it. We have tried to give a general category for each of the funding items without getting so specific that you end up with another bureaucracy about moving the dollars between. But, as you say, it does pose some particular challenges for some children in some areas. It might pose particular challenges for children with very high needs in very remote areas. It might pose particular challenges for children whose parents live a long way away in terms of contact, but in other areas it will pose other challenges.

We really think particularly in New South Wales we have got NGO providers who have been in the business of providing out-of-home care for well over a hundred years. Many of them are quite used to managing that balance. But in order to be able to manage the balance they really do need some scale. They need many more than just a couple of children so that they are able to balance it out. That is also part of our thinking. We are very open to having discussions with NGOs about what is not working in a particular town or a particular

area or a particular type of child, if you like, such as children with disabilities in out-of-home care or children in very remote areas whose parents travel in and out to see them if they still have contact with families.

CHAIR: A point that we would like to raise is the accreditation process. The Committee has been told that most accreditation processes are based on client numbers, which are not indicative of success of client satisfaction. What kinds of accreditation models do you think should be employed to maximise client outcomes and provide incentives for staff? That sort of leads to what you were just talking about.

Ms WALK: The accreditation process in out-of-home care?

CHAIR: Just in a general sense of accreditation of NGOs.

Ms WALK: Of out-of-home care?

CHAIR: Of your department basically.

Mr MOORE: We do not have a departmental accreditation process. I think that would be the first point to make. The one major stream of providers in the out-of-home care is subject to accreditation through the Children's Guardian, which is an independent regulator for that particular functionality of out-of-home care for children. But the more general NGO sector is not one that we subject to an accreditation. We are looking at various models of accreditation that may or may not be appropriate, but I just do not quite get what has been advised to the Committee about the accreditation and the numbers that you are referring to. That just does not make sense in terms of our processes.

CHAIR: Different standards of accreditation based on organisational size.

Mr MOORE: Again, as I said, we do not have an accreditation system that therefore would be based on different sizes of clients.

CHAIR: Do you have an accreditation system at all?

Ms WALK: As we were saying, depending upon what they are delivering. If our NGOs are delivering out-of-home care then they cannot deliver out-of-home care unless they are an accredited agency, but that is not dependent on their size so much as having children in their care. Perhaps some of the NGOs who are accredited by the Children's Guardian might be saying, "Gosh, it's a lot of work given I've only got three or four children in my care. I have to go through the same accreditation process whether I have a thousand children or whether I have three children." That might be where some of the agencies' concerns are.

Mr MOORE: With the exception of out-of-home care we do not make accreditation a requirement for funding, but it is certainly true that there are a range of entities out there that accredit organisations and organisations do aspire to get various sorts of accreditation under ICO standards, for example, but they are not something that we impose upon an organisation. Given what has been raised, I am happy to get you a relatively clear statement on notice about just how accreditation may or may not be impacting on organisations in terms of how our tendering processes might look like they encourage accreditation and in which circumstances accreditation may have been referenced.

Mrs BARBARA PERRY: You are working on certain models within your department anyway. Why are you doing that?

Mr MOORE: Because we go right back to the initial questions in terms of the impost on organisations. Being able to find regimes which make it easier for organisations to meet our requirements, meet our standards. One of the models that we have been talking at length around is indeed trying to not impose additional requirements and that has accreditation requirements or contractual requirements that integrate with various accreditation schemes as a part of trying to make things easier for people and organisations to be doing business with us.

CHAIR: We heard on a number of occasions that they are undertaking quality assurance programs and good practice guidelines which sort of leads to an accreditation process where they can say they know the backgrounds and the checks of a particular organisation.

Mr MOORE: That is one of the things I was thinking of. I want to make sure you get a clear statement in terms of the quality systems and expectations that we place on organisations to deliver services to certain qualities and how you might be able to achieve that without putting a whole excessive apparatus in place to validate it.

Mrs BARBARA PERRY: We are currently well into preparing for the National Disability Insurance Scheme [NDIS], which is now DisabilityCare. You said earlier that the government is still doing the cases involving very high complex needs and may still do those at some stage. We do not know what the future looks like. What you are really saying is that government has been taking on the ones that an NGO would not be able to meet or support perhaps because of the high-need funding that is required. What do you do with the NDIS coming to make sure that there are providers there to take up these complex needs, for example some of the people who live in Stockton with high complex needs? What are we going to do to make sure that happens, and what models are there?

Mr MOORE: It is certainly not true that NGOs cannot do complex clients and we do have NGOs that do them. It is just because of the history of the services there is typically an expectation that some of the more complex ones will end up within the government service provider. That is going to have to change in terms of the NDIS because at heart we will no longer be in the business of funding services; the funding of services will flow through the NDIS arrangements. The NDIS is going to have to work out what levels of funding it will attach to particular clients.

Mr KEVIN CONOLLY: Will you be in the business of selling services if clients with their funding packages come to the Government to seek the services?

Mr MOORE: That is a matter that is yet to be resolved. The arrangements that the NDIS is going to create are still in a very early stage. We are going to learn through the Hunter launch in New South Wales just how to make these arrangements work and that will inform the longer-term picture of how the NDIS will look. Remember that it is scheduled to come fully on screen from 2018. Over the next few years the questions of who will be the suppliers and what services will be resolved, but it is not something that has to be resolved right now.

CHAIR: Health recently undertook a process not dissimilar to what we are going through today. We hope that we might end up with a whole-of-government approach in some shape or form. They were looking at improved efficiency, transparency, accountability and reducing red tape and the length of contract periods and those sorts of areas. Are you aware that Health was undertaking a process similar to ours in terms of streamlining the whole thing, looking at the tendering process and the fact that some NGOs might have been dipping into or accessing government contracts without the knowledge of other departments?

Mr MOORE: Yes, we are well aware of the processes that the Health funding entity has gone through in relation to how it resources the NGO sector and that there has been quite a lot of cross-fertilisation between departments in terms of red tape reductions, getting greater degrees of transparency and simplifying arrangements so that it is much easier for an organisation to seek funding from various parts of government. The various parts of Family and Community Services have gone through a lot of contract reforms with the building home care component which for a very long time now had longer-run contracts, typically three years, rather than short-term contracts.

In terms of the last part of your question, the idea that NGOs might be dipping into various pots not being known to different parts of government, that is something that in part we guard against by the process of tendering around individual requirements and expecting to get various degrees of reporting or monitoring to make sure that our requirements have been achieved. If each part of government is getting its accountability requirements right then it is able to determine that it has received what it was funding the organisation for. Usually we are aware of what else they are doing and what other sources of funding they have got, but we try to make sure that we are accountable for the individual chunks. That does give you some guard against what I think you might have been wondering.

Ms WALK: Typically in the process of tendering we will ask an entity what other sources of government funding both State and Federal they receive. That sometimes is just in terms of their viability. We would often want an NGO to have several sources of funding as well. It often contributes to their stability and sustainability in the long term that they are not reliant just solely on delivering on one government contract but they have a range of activities. It also means often they are able to start up delivering the service a lot quicker because they have capacity in that town or in that area.

CHAIR: What is your view on grants versus long-term contracts?

Mr MOORE: It depends on what you are funding an organisation for. I think that there is nothing negative about either. Indeed, grants can be for quite long periods of time. What is important is that you tailor the form of funding and the contractual arrangements and the obligations and expectations for the purpose for which you are funding the organisation. If you look, for example, in the out-of-home care arena you would not want to be thinking that what you are doing is providing a grant and—

CHAIR: Walking away.

Mr MOORE: —hands are off. A very different form of contractual arrangement would be very important there. But if you come into some of the very small community-based grants, things we do for Seniors Week for example, it is entirely appropriate that it be a very light-handed grant.

Mr TONY ISSA: Is it not better for the organisation to have a long-term contract so that it is able to plan ahead long term and have a long-term strategy?

Mr MOORE: Yes. That is why in a lot of our funding we would focus on typically at least three-year contracts and typically contracts that are able to be readily rolled over, because we are talking about organisations that have to make significant investments in staff, maybe sometimes in infrastructure, and be committed to long-term outcomes for clients. In a lot of the areas of FACS the sort of interventions that you are making are not ones that reach a resolution for the client in a year or even three years. That is a child in out-of-home care we are talking about typically up to 10 years, I suspect, and in disability sometimes you are talking about whole of life so you are wanting organisations that have a longer term view. It is essential.

Mr TONY ISSA: It depends on the service.

Mr MOORE: Yes.

Mrs BARBARA PERRY: You were asked a series of questions on accountability. Are you confident that the accountability mechanisms that are in place in respect of out-of-home care and the NGO services is the best accountability and that is that it is NGOs effectively looking at the complaint themselves internally rather than an external complaint system at first instance?

Ms WALK: The two mechanisms in particular that we have in out-of-home care for NGOs currently are the use of the Ombudsman and the Children's Guardian. I think all NGOs, including community services, are wanting to have as strong an accountability mechanism as possible. There is no greater level of responsibility we have than to be caring for somebody else's child. There has been discussion literally as late as about a fortnight ago with our peak agency which sought to meet with the Ombudsman and the Children's Guardian about how we can make our own systems, particularly smaller agencies, more accountable both internally and externally. I think you are absolutely right. It is an area over the next couple of years that we will be putting a lot of focus on.

Mrs BARBARA PERRY: The difficulty and part of the problem is that if a person complains to the Ombudsman that often will go back to the NGO or the government agency wherever it is. Given where we are moving in relation to outsourcing of government services, you would think that there has to be a strong complaint system—you would agree with that—that does not predicate itself on first instance on complaints being looked at internally by the agency delivering the service. Would you agree with that?

Ms WALK: You actually need both. You need an agency that has a strong mechanism internally and is able to have complaints handling mechanisms internally. It absolutely needs to do that. All child-friendly organisations are clear that you need to have a child-wise organisation but you also need strong external accountability mechanisms when it comes to the care of children.

Mrs BARBARA PERRY: You said earlier that you would provide the information on the transition and the numbers, and you were asked a number of questions around tender. Are you able to furnish to the Committee a copy of a tender document in relation to out-of-home care?

Ms WALK: Absolutely. Out-of-home care?

BARBARA PERRY: Yes.

Ms WALK: Okay.

Mrs BARBARA PERRY: They do not change, whether it is a rural tender—it is one tender fits all, is it not?

Ms WALK: Yes. That is slightly different. The one I described was a tender for a different kind of service but we can certainly provide that.

CHAIR: Thank you for your time. This is the second time you have appeared before this Committee and we sincerely thank you for the effort you have put into assisting us with questions on notice. Your input and feedback are valuable and no doubt will form some important deliberations that we will take going forward and recommendations.

(The witnesses withdrew)

LEONIE RUTH KING, Executive Director, Community and Private Market Housing Directorate, Department of Family and Community Services, affirmed and examined:

CHAIR: Can you confirm that you have received a copy of the Committee's terms of reference and information about the examination of witnesses? Do you have any questions concerning these procedures?

Ms KING: Yes I have, and no questions.

CHAIR: In what capacity are you appearing today?

Ms KING: As the Executive Director, Community and Private Market Housing Directorate in Housing NSW and the Department of Family and Community Services.

CHAIR: Ms King, I draw your attention to the fact that your evidence is given under parliamentary privilege. You are protected from legal or administrative action that might otherwise result in relation to the information you provide. I also point out that any deliberate misleading of the Committee may constitute contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and may be made public. Will you be happy to provide a written reply to any further questions?

Ms KING: Yes.

CHAIR: Would you like to make a brief opening statement?

Ms KING: No.

Mr KEVIN CONOLLY: In 2011 Housing NSW introduced a new contractual framework for community housing providers. How is the new framework being assessed and what have the results shown?

Ms KING: The framework we implemented, we developed it in consultation with the NGO sector. We implemented it and trialled it for two quarters in terms of the collection of information. We then commissioned an independent review which included interviews with the participating NGOs. On the back of that, we refined the framework and we have now formally commenced it and are starting to collect information. We are shortly about to provide the first feedback to the NGOs themselves around performance against the agreed benchmarks within that framework.

Mr KEVIN CONOLLY: Have there been any challenges or hurdles encountered and particularly any unexpected learnings out of this process?

Ms KING: The contracting framework, in effect, we have collected information from the organisations for some time. If anything, it rationalised the information we were collecting but sought to provide some greater rigour around how we assessed contract performance and it needed to be redesigned in reference to the fact that we now have a statutory regulatory system that has been in operation since 2009 with that sector. In terms of learnings, no, I think the main thing for us at the moment is that there are still some definitional issues we are needing to work through in terms of how information is being reported but at the moment it seems to be going reasonably well.

Mr KEVIN CONOLLY: In terms of actual housing delivery to people in need, has it assisted the process? Is it helping with the overall outcome we are looking for?

Ms KING: I think it is. What it is highlighting I guess in its early stages of the revised framework having commenced is some differences in tenancy and property management, which is the core business of the housing providers and obviously that has implications for clients. So as part of that we are looking at the implications of the different performance reports and talking to the organisations about why their information, for example, and why their data and performance might look quite different to some of their peers.

Mr KEVIN CONOLLY: Can you comment on the vacancy levels within community housing? Anecdotally, we hear from time to time that there is public housing sitting empty, nobody is in it because it is

not up to standard, maintenance has not been done or whatever. How is this model working towards maximising the use of public housing resources?

Ms KING: Obviously one of the performance areas we are looking at is vacancy rates. But you also need to understand that in the context of policy and contractual requirements on those organisations. For example, in 2009 the largest 27 organisations were required to participate in a joint access system with Housing NSW called Housing Pathways which effectively means that all public and community housing organisations take clients from one single register and they do that within a standard assessment and prioritisation framework. In essence, there is a waiting list of 50,000 odd people. There is really no cause for high vacancy rates and the only time we would expect to see that would be if properties are undergoing some maintenance and rectification works, or if they are being held vacant potentially for sale, remembering that a large number of the houses are now managed by community housing providers and all the houses managed by public housing colleagues are now owned by another department and they have some different policy objectives. I guess in some instances it might signal issues around property condition or just low demand in locations where there are properties where there is not sufficient demand and they are hard to let.

Mr KEVIN CONOLLY: I am surprised to hear that last part. Do we have any of those?

Ms KING: We have a small number of those, remembering that the social housing portfolio, the stock of houses, that portfolio has been delivered over the past 50, 60 odd years and they are severely immovable. While there have been various approaches in the past around an approach to the portfolio in terms of looking at how we could trade the assets in low-demand locations where there was not the demand and reinvest in high-demand locations, that of itself is quite a large task. The Land and Housing Corporation, which now owns the portfolio, is now undertaking some further work around what the portfolio strategy might be going forward.

Mr TONY ISSA: I will not share the 100 stories I hear every day about housing and housing providers. What sort of input does your department have when it comes to the assessment of property need by housing providers? How do you monitor the assessment process for housing providers for the community? On what basis do you believe the assessment is being carried out according to the requirements of your department?

Ms KING: The process for assessing eligibility for housing by the public or community, as I mentioned, was set through the Housing Pathways common criteria. There is information collected that looks at how both public and community housing providers have ranked and assessed individual applicants for housing. On that basis we can draw inferences around relative performance and where there are any inconsistencies. The system has only been in place for community housing for a couple of years. They had their own systems in place prior to 2009. Off the back of some of the early results, I think it was probably fair to say that there were some inconsistencies as they were having to adopt public housing policy in quite a rapid time frame. We have conducted various reviews to have a look at the understanding and performance. There has been a recent evaluation of the overall Housing Pathways system, which has been very positive in terms of its operation and consistency.

Mr TONY ISSA: Housing providers vary from organisations managing 10, 15 houses to 4,000 houses or 400, whatever. Are you using the same criteria when you are providing properties for those organisations?

Ms KING: The sector is defined under regulation as community housing and required to be regulated through the statutory regulator. It consists of something like 230 organisations. A very large component—in fact, the majority—of those are specialist homelessness services with a small handful of properties. They are not required to be part of this process. We have focused on 80 per cent to 90 per cent of the properties managed in the top 30 organisations, and they are part of a consistent framework around assessing eligibility and priority. There has been no decision to roll out the housing pathways framework to the smaller organisations because of the potential burden, but what those organisations can do in accessing clients is approach a registered housing pathways provider and they can provide a shortlist of eligible applicants.

Mr TONY ISSA: You have housing providers located in the city somewhere and in western Sydney. What are you providing for organisations based in the same area? Western Sydney housing providers currently have housing in western Sydney to be able to manage. You have organisations away from western Sydney. I will give you an example. I am not naming anyone, but people managing property outside the geographic area of the boundary.

Ms KING: Many of those larger housing provider organisations that I mentioned previously, particularly in the metropolitan area, operate across multiple local government districts. It is not uncommon for them to operate across something like 20-odd local government areas. We do not dictate their boundaries. We look at service provision and the quality of service provision. If they are part of a tender process where they are seeking to take on the management of properties that currently sit outside their current areas of operation we would assess and consider, as we have done under previous tender rounds, their capacity to operate in that location, and what partnerships, what arrangements or discussions they have had with local government and other partners in that community.

A case in point might be the result of the nation building tender where the Federal Government's economic stimulus properties delivered in New South Wales were tendered for title transfer to that sector. As a result of the way that tender was set up, which was in large part driven by central agencies, we were required, first, to leave it open to new entrants—which is entirely appropriate—so we got many interstate bids, and we also looked at service capacity rather than: Do you just operate in that location? So it was about ability or capacity to operate in a location.

Mr TONY ISSA: When a housing provider has brand-new stock they manage that property for the first 10 years. What is the guarantee after the first 10 years? Will the property become subject to maintenance and there is no guarantee that housing providers will hand the property back to the department to carry the cost of maintenance. What sort of maintenance or repair do you do on a property on a yearly basis or twice a year to ensure that property is being looked after to stay in the condition provided to them?

Ms KING: The only new stock that has gone across in recent years has been the nation building stock and a very small number of properties that have been developed under a new supply program. If we take the nation building stock, it is all intended or mooted to go across as title—there has just been some delay in that process—which means that the provider will own the assets, and they already do own half of those properties, and are fully responsible for all maintenance costs. So there is no capacity to hand it back.

Mr TONY ISSA: What sort of monitoring system is there?

Ms KING: We have two things. Under the statutory regulatory system one of the outcomes that the statutory registrar assesses is asset management. She looks at their long-term strategic asset management planning. She looks at their financial viability. She looks at key performance, financial performance, indicators that assess things like the provisions they are making for future maintenance works, making sure they are making adequate provisions. Under the contracting framework we thought the asset management was such a significant issue that is one of four key outcome areas we focus on as well. So, in addition, we look at whether they are keeping the assets to standard. We monitor that through quarterly reporting and through various processes. For example, we elect to undertake independent reviews if there is an issue.

Mr TONY ISSA: You check on finance, viability and maintenance of properties. If a housing provider came into operation with a lump sum of money saying I have a million dollars. If you give me a property I will be able to maintain it. If that money had been saved during the process of managing your property—they are probably better managers than the housing department: I do not know how they manage—if they say they have the ability to manage the property, what monitoring physically do you do to check on the property? Not check on their ability, but how often does your department visit the property, knock on the door and ask: Can I have a look?

Ms KING: There are three tenets to that. Looking at the contracting framework at the moment, we collect information. If the information seems to us to indicate there is an issue around asset standards for property that government has invested in with these organisations, we might commission a review. We might send someone out. We have reserved the right to do a spot-check process if we choose to do that. Recently, for example, we had outsourced some maintenance and upgrading work through the community housing organisations and we asked our colleagues in the Land and Housing Corporation to undertake a spot check to look at the quality assurance around those properties to make sure that the works have been undertaken in an effective manner.

The statutory registrar also has an annual compliance assessment process which can be escalated through a trigger if issues are raised that are of concern. It can be undertaken on a risk basis more frequently if required. Some of that is desktop but some is also by site visit. The site visits can detect the areas where there might be issues around the maintenance of those assets as well. A further development is we are expecting these

larger organisations to borrow money and to raise finance. I can assure you that the banks' due diligence around those assets is quite high. So there is a third element in the banks looking at and assessing the provider's capacity to fund future maintenance work and liabilities relating to assets against which they are borrowing money.

Mrs BARBARA PERRY: Currently the transfer of the national BER stock has gone across. What are the plans for other stock to go across to the private or non-government organisation sector? Can you just remind us of that, and where are we up to?

Ms KING: The only current commitment is the former Government's Planning for the Future strategy, which sought to grow the sector to 30,000 properties by 2016. The strategy was to 2012-13 but the target was to 2016. Currently the sector is at around 27,000 properties. We are still in discussions with colleagues in the Department of Finance and Services, who are now the asset owners, to see whether there is any opportunity for further transfers. There is no current commitment or agreement.

Mrs BARBARA PERRY: You talked earlier, in an answer you gave to Mr Issa, about your recently outsourced maintenance work. Was there a particular reason for that?

Ms KING: One of the reasons we are looking to outsource approaches more generally is about capacity building and industry development. We have a New South Wales community housing development framework and currently a three-year strategy, and we are developing the next set of strategies around it. Part of this is about building capacity of organisations and also recognising where there is current expertise. All of those larger providers are already required to have robust asset management services in place. In the context of that particular tender I mentioned, there were 230 organisations, of which around 200 are very small and are not experienced asset managers. It was about bringing some of those properties up to standard.

Mrs BARBARA PERRY: Just looking at the outsourcing, what savings have been made as a result of that?

Ms KING: At its broadest level it is about a 10 per cent saving in cost because of the charitable status and the GST implications. In the maintenance work it has effectively been on a fee-for-service basis, but bearing in mind it costs less for those organisations as non-government charities to deliver services.

Mrs BARBARA PERRY: Why is that?

Ms KING: Because they get GST exemptions.

Mrs BARBARA PERRY: And you do not, as government?

Ms KING: No, as government we do not.

CHAIR: We have talked about assets quite extensively. People have to live in these assets. Given the fact you are transferring title to community providers, how does Housing deal with complaint mechanisms?

Ms KING: Where complaints are made by tenants or applicants in relation to property and tenancy management we refer that in the first instance to the community housing organisation to be dealt with. There are a series of escalation points. Importantly, under the statutory regulatory system and the regulatory code organisations are required to demonstrate they have a complaints management system in place under the outcome, fairness and resident satisfaction. There is quite an extensive focus by the registrar in looking at the complaints mechanisms and also making sure that those complaints mechanisms are clear and available to people who are part of that system.

Mrs BARBARA PERRY: The registrar of—?

Ms KING: The Registrar of Community Housing, which is a statutory position. We rely both on the internal mechanisms of the organisation and on the regulatory arrangements to ensure that those mechanisms are in place. If someone were to raise an issue around matters of policy, for example, we would deal with that as the government agency responsible. But where it relates to the core business of the organisations we rely on their internal mechanisms and the registrar to assess the adequacy of those mechanisms. The other thing is that the registrar can take complaints and will examine them where there appears to be a breach of the regulatory code.

CHAIR: What about neighbours making complaints about tenants and statutory trigger points of how community housing providers deal with that in a timely fashion?

Ms KING: It is a similar process and the entire framework is documented on the website. It is about relying on the non-government organisations to deal with the complaints. We do not differentiate between owned properties and properties managed on behalf of others. It is about looking at the whole set of systems and procedures they have to manage complaints, and relying on the regulator to look at where she thinks those systems are falling down. The other thing is that we have an operating protocol with the registrar as the funder and policy setter. If complaints come to us and they raise issues of concern for us we have identified trigger points where we might refer that to the registrar to look at.

Mrs BARBARA PERRY: The registrar is only looking as a matter of regulation at the system and processes—and I think this is what Mr Anderson was talking about—then internally you have the housing provider, whoever that might be, looking at their own internal system. Are you confident that is the best possible complaints mechanism system that exists? Do you think there is a gap as we move into this new era where we are going?

Ms KING: For the size and operation of the sector at the moment I think that is acceptable, and given that there is a statutory regulator as well, which provides an extra level of assurance. If we were ever to move into significant scale, I think we would want to reconsider those arrangements and have a think about what might be the best mechanisms, remembering also that there are a range of other appeals mechanisms for individuals, such as the Ombudsman and other such arrangements.

(The witness withdrew)

(Short adjournment)

SAMANTHA JANE TAYLOR, Deputy Chief Executive, Ageing Disability and Home Care, Department of Family and Community Services, affirmed and examined:

JAMES LONGLEY, Chief Executive of Ageing Disability and Home Care, Department of Family and Community Services, sworn and examined:

CHAIR: Thank you for appearing before the Committee today. Can you please confirm that you have both received a copy of the Committee's terms of reference and information about the examination of witnesses? Do you have any questions concerning these procedures?

Ms TAYLOR: I have received the documents and I do not have questions, thank you.

Mr LONGLEY: Yes, and no, thank you.

CHAIR: I draw your attention to the fact that your evidence is given under Parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today, the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and may be made public. Would you be happy to provide a written reply to any further questions?

Mr LONGLEY: Yes indeed.

CHAIR: Before we proceed with questions would you like to make a brief opening statement of not more than five minutes?

Mr LONGLEY: No, we are happy to proceed straight to questions, especially given the time constraints.

Mr KEVIN CONOLLY: I am aware that you have both been sitting through an hour and a half or more of discussion and you have heard many of the things we have been asking. I wonder if you have any reflections on the discussion this morning, anything you might have wanted to add, had you had the floor at that stage.

Mr LONGLEY: I might make a general observation that, whilst there are significant differences between urban, city and regional areas, in Ageing Disability and Home Care we try to be flexible in our approach to different organisations. I think it would be something that governments should be sensitive to and very careful about, in terms of trying to dive into how different organisations structure and break up their own costs arrangements. I think there would be a potential risk of governments trying to second guess the management approaches of different organisations. Governments can be good managers but they are not necessarily the world's best managers and second guessing that may not lead to the best outcomes.

Secondly, in terms of innovation—something we are very keen to encourage and stimulate—one actually wants different organisations to look at different ways of putting together their service propositions in different areas. There would be a risk that, once you start breaking down, by line item, the different elements of a service proposition, people would then start to think in those terms, rather than having a holistic approach. That information would potentially also become public and so you could have unhelpful benchmarking across organisations as to, "They charge this much for that and we are only charging this, so we can bring our costs up to that" and potentially, that process becoming rigid. We try to encourage innovation. That means how people bring different services together, in a holistic sense, is important, especially when moving towards a more person-centred approach, as we are doing. That is foundational to the whole Stronger Together 2 approach and also under the National Disability Insurance Scheme. That would be my general reflection on some of the discussions I was observing earlier.

Ms TAYLOR: I think the point Jim is making about the ability of non-government organisations to be flexible in how they operate and for government administration structures to not create rigidity around how that occurs, is critical to how we move forward in our relationship with that sector. There is a real tension between the role of government as a regulator and the desire to understand what happens to every cent that these organisations receive. There is a need for flexibility in the delivery of support and for government not to create

constraints. I have been in this sector for a very long time and I have seen both ends of the spectrum where we have been highly specific about what we would like organisations to deliver, and how they will deliver that service. That is a much less successful way than the way we have presently within Ageing, Disability and Home Care, where we afford non-government providers a greater degree of flexibility. Certainly we could go a lot further with that. The lead-up to the National Disability Insurance Scheme gives us that opportunity.

CHAIR: That is very encouraging.

Mr KEVIN CONOLLY: I asked in relation to housing earlier because we have already gone down the path of outsourcing: what lessons had we learnt, was there anything unexpected, and any challenges or hurdles we had to overcome? Given that we are also part-way into the process of outsourcing in your fields, I pose the same questions: What have you learnt? What do we need to look out for?

Mr LONGLEY: I will ask Samantha to elucidate a little bit further, but perhaps it is important to understand the context here. In New South Wales we have Stronger Together II, and that was a process of making sure that the non-government organisation sector was much more involved, but ultimately moving to that being driven by individuals, of course. That is a key understanding. It is not just simplistic outsourcing on a block funding basis to non-government organisations. They are actually providing funding to the individuals and they then demand services back from non-government organisations.

Mr KEVIN CONOLLY: For clarification, I might just say that we know that is going to happen in disability. To what extent will that also happen in your other fields in terms of home care and ageing services and so on? Is that a philosophy we expect to flow through to there?

Mr LONGLEY: That philosophical direction has been undergoing for a long time, and I think we will see it progressively throughout government and obviously throughout our own services. Our focus has been one step at a time, so Stronger Together 2 for the disability part of that sector; with regard to the home care service, you had the bisection of that so that the aged care part of that has already been handed over to the Federal Government and they will go through their funding processes for that part of the Home and Community Care

Program, which is about two-thirds of home care service. The remaining one-third is more purely disability.

Our challenge within that overall approach is that we want to make reforms under Stronger Together 2, but now we have the added requirement that we do not want to do duplicating reform of what is going to happen now under the National Disability Insurance Scheme. We want to make sure that everything we do matches with that, but we do not want to spend a lot of money doing things which are then going to be just lost because it is going to be done by the National Disability Insurance Scheme. For ourselves, that is an extra criterion, which makes that meaningful task that much more challenging, of course, but one that is really quite clear in terms of delivering value.

CHAIR: Thank you. Mr Longley, in the Committee's recent visit to rural and regional New South Wales reference was made to boundary changes and new partnership agreements resulting in the integration of Ageing, Disability and Home Care within your portfolio and the adoption of health districts for service delivery. Can you describe how these arrangements are working and what the implications are for service providers, particularly in those areas?

Mr LONGLEY: The process of localisation, which is only in its very early stages of planning and development, essentially are that each of the three divisions within Family and Community Services moving to a boundary arrangement, which is in alignment with the health districts. But that is only being planned at this stage, so as to what their precise alignment is, work is still being done to ensure that it is sensible, to make sure it works, and to make sure it delivers better services. The intention of localisation is to bring services closer to people and to make sure the services are person-centred. We would be expecting that those two drivers will be very much in play. We are expecting minimal impact in terms of the effect that individual clients and customers will feel. This is really more an administrative effect or an administrative activity for ourselves to make sure that we have better structures, more local structures, and that they are better aligned across the three divisions of the overall department of Family and Community Services.

CHAIR: In terms of the boundary changes, that will result in different managers reporting to different people now in the reform process?

Mr LONGLEY: Potentially, that is right. Because you will have the three divisions involved in that, that is probably a question that would have been better directed to the director general rather than to me.

CHAIR: No, you are perfect.

Mr LONGLEY: But the intention is that you will get that alignment across and getting the best expertise, but at a much more local level. The powerful driver there is more local services and being more person-centred.

CHAIR: Do you see any challenges in this process?

Mr LONGLEY: Any administrative rearrangement has some challenges, but I am very confident. I have spoken with the regional and district managers and directors. These are all very capable professionals. They are all very client focused. As I have spoken to them, that has really been the message that has come back to me. They will make sure that everything happens in a way which actually benefits the clients and we will just make sure that we work hard to ensure that our own services' administrative requirements are met. Ideally, in any organisation you want the administration to be almost not seen at all by clients. That should be it. It should just happen. It should be neat and smooth. The clients should have the services that they need delivered efficiently and well.

CHAIR: Lastly, the people we spoke to certainly were very uncomfortable with the process that is looming. Given that they are professional and they do the job well—which they do; there is not a problem with that at all—perhaps there is still a great deal of uncertainty in terms of what is on the horizon for them. That relates directly to them being able to deliver the services and the messages they are giving to clients about where they are going to receive those services into the future.

Mr LONGLEY: Samantha might like to make a further comment on that, but I would have thought that for non-government organisations, and I would imagine that would be the principal direction of your question, the likelihood of change of their individual contract managers I would have thought to be relatively low because they are already very local. This localisation change will actually happen at a level above that, I would have thought. Mostly I would have thought there might be a few changes in their contract manager, but I would have thought by and large there will not be a lot because that is already done at a very local level.

CHAIR: We are talking about departments as well.

Ms TAYLOR: Within the department as well?

CHAIR: Yes.

Ms TAYLOR: I can just reiterate what Jim has said, which is that the administration layer of change around localisation is very thin. The impact in terms of changes around management at the front-line service delivery should not be felt. For example, in a group home, a team leader's direct report would not change through this process. It would be at the regional management layer and the reconstruction or breaking down of regional executive teams into smaller cohorts of district executive teams, where you would get some change. But you would expect, through that process of planning, which is what our district directors are going through at the moment, some continuity in how those management chains transfer their knowledge and set up agreements among themselves where changes have occurred for ongoing information, exchange and partnership. There may be some changes in local contract management for some non-government organisations. That would not be major, but we cannot have the contract manager that you have had for 20 years for life. That is just not the way it works. There is going to be churning in our staff as it is. The issue really is about making sure that in the local knowledge transfer, whether it is from a change in staff or from a change to a district model, the integrity of that transfer exists in that process.

Mrs BARBARA PERRY: What efficiencies do you expect to gain from localisation apart from the top-line management level as opposed to front-line services?

Mr LONGLEY: The efficiency is because you have alignment with health districts. In fact, this was an issue that came up earlier this morning. You would expect greater alignment between ourselves and the Department of Health, so that is a clear efficiency. Within our own organisation, making sure that services are more local will mean that services are able to be more effectively delivered.

Mrs BARBARA PERRY: All right. What savings do you expect to get from this?

Mr LONGLEY: Look, it is not focused principally on savings. It really is focused more on improved effectiveness and improved service delivery being at the local level.

Mrs BARBARA PERRY: Given where the Committee has been, out in rural and remote areas, it is hard to see how localisation will improve service delivery given the issues of distance, workforce and specialised experts to provide services. How is localisation going to exist?

Mr LONGLEY: I must admit that I am genuinely surprised at that comment because localisation means areas—for example in Ageing, Disability and Home Care, we have six regions that cover the State—where we will now have 15 that are equivalent. That means, if anything, regional New South Wales will be a major beneficiary in that because regional New South Wales will actually have more senior people closer to where they are. In terms of, if you like, the escalation process, the escalation point will be geographically closer. In terms of flatness of organisation, the capacity for having any problematic issues dealt with I would have thought would be closer. In terms of proactive management, again because it is local, regional New South Wales clearly is to be a major beneficiary in that because you will have more senior closer to where you are. I would have thought that is a big bonus.

Mrs BARBARA PERRY: I am not sure how that will help home care services and the delivery of home care services out in regional areas where they cannot get a workforce, et cetera, to supply services. I am just saying that, despite localisation, there are still incredible challenges.

Mr LONGLEY: Oh, absolutely.

Mrs BARBARA PERRY: And that may not deliver one iota of an extra service or—

CHAIR: Body on the ground.

Mrs BARBARA PERRY: —extra ability to provide on-the-ground services. So you would not agree with that, I take it?

Mr LONGLEY: You are actually right. I would have thought that is quite a distinct issue. The challenge of workforce is an ongoing challenge. Localisation is clearly not a panacea and is not intended to be that. It is looking after the issue of making sure services are as local as they can be. It is not specifically intended to be—in fact, no-one would have conceived it as being—a solution to workforce issues, which are a particular issue. Ageing, Disability and Home Care in fact has a very key program that has been addressed specifically to workforce issues. But it is a challenge. Our care careers program knows this better than I, but the care careers program has been very successful in terms of stimulating interest in people seeking care careers in Ageing, Disability and Home Care and more broadly. There are programs that we have directed specifically at that. Localisation is a disconnect on that particular issue.

Mrs BARBARA PERRY: Anyway, in your opening remarks in response to a question asked earlier both of you said flexibility and not regulation are sensible to have in the new paradigm that we are entering, but also you would agree at the same time good external accountability measures are needed. What work has been done in the department as we get NDIS ready and person centred ready around external accountability and what that will look like? Is it moving away from the old models that we know about of "self-regulation"?

Mr LONGLEY: We are in fact doing a number of quite interesting and exciting things in that area. Accountability is really pivotal. It is something that Ageing, Disability and Home Care has continued to move forward, and I have been very strong on precisely that area. It is something that under the National Disability Insurance Scheme also we need to make sure that that is being dealt with within the national framework. I will ask Samantha to make a few extra comments.

Ms TAYLOR: I think what we both referenced was the need for balance between regulation and flexibility in delivery. I mentioned to the Committee the last time we were here that we are doing work to establish a new quality regime within this ability that will take us forward into an NDIS transition, which is requiring organisations to undertake a form of verification, not an accreditation but verification, against the New South Wales disability service standards, which mirror the national disability service standards, which will be in

play under the NDIS. That does not mean that we require them to look through the whole of their organisation. We recognise in our process that there are a number of accreditation mechanisms already in play and well utilised throughout this sector. We want to make recognition of those existing models and then utilise those to inform us about where we think the gaps in attaining a verification against those standards exists.

In a peer NDIS model, if we can imagine ourselves in 2022 or something like that, it is a free market; so the Commonwealth will not be seeking through the NDIS to regulate the sector, but we are very committed in transitioning to the NDIS to make very clear and sure to the Commonwealth that we want non-government organisations, and indeed ourselves, to be able to demonstrate to the public and to people who might be interested in purchasing services from us about the level of quality that we will provide them. That does not mean an audited statement; it means that plus a whole range of other opportunities for providers to tell people about the services that they are offering, to tell them about the value add that they can expect to get over and above the money that they might get through a National Disability Insurance Scheme in the form of a paid package. People will expect the non-government sector and any provider in the mix of an NDIS to bring to the table added value for them, and those issues of added value are going to be the points of difference between a number of non-government organisations where there is existing competition.

Mr TONY ISSA: Has any feedback or survey been taking place to do a comparison between services between government and non-government organisations? I have no problem: all I have heard about the services is great, everyone is happy with that. People in my family who use that service are very grateful for the service available. Do the not-for-profit organisations and the government department have any feedback from the public about the services to do a comparison between the two of them?

Ms TAYLOR: I am not aware of any global surveying that is done about client perception of the quality or value that they get from a non-government organisation or from government. I am aware though that many non-government organisations, and indeed ourselves, particularly through the home care service, do do regular client surveys. That is a key informant for the way in which they think about the services that they are going to provide and the things that they need and their board needs to take account of in improving their services going forward. But I am not aware of any global client satisfaction surveys.

I know there has been in the context of the NDIS discussion about what could be done in that space to enable people with disability, for example, to make comparisons about different surveys. It is a very wicked issue really. I do not think anyone has got quite the answer for how you compare such a diverse service offering from a sector and from government on the scale that we have in Family and Community Services.

Mr TONY ISSA: Are you aware of non-government organisations subcontracting work to individuals? Are you aware whether a non-government organisation can subcontract work to an individual?

Ms TAYLOR: Yes. That is quite a common practice.

Mr TONY ISSA: How do you monitor that the people providing that service are fully qualified or if they are up to the standard with the requirement of the department?

Ms TAYLOR: Our funding agreement in Ageing, Disability and Home Care requires any non-government organisation that is going to subcontract any material part of their service to tell us about that, and they are also required, through their board, to ensure that that subcontractor fulfils or their board transfers to that subcontractor all the conditions, including of quality, to that subcontractor that we expect of that organisation.

Mr TONY ISSA: Is there any compulsory refresher course that somebody has to attend every 12 months to be up to date with the requirement? I know the requirement changes from day to day but is any refresher course provided that it is compulsory for all the workers to attend?

Ms TAYLOR: They have to meet the disability standards.

Mr TONY ISSA: How do you monitor that? How do you know if they have done their refresher course?

Ms TAYLOR: We do not require any particular organisation or its staff to undertake any annual refresher course. We provide rolling training on a range of different aspects. We do most of our rolling training through the disability services peak, National Disability Services. Organisations can self-select to that, but we

do keep information about who attends and we use that information to assess a notional risk for an organisation. For example, if we know that our organisation, its board or its senior executive has not participated in any of our governance training that we have offered through NDS or any other body over a certain period of time, our regional contract managers will have a conversation with the organisation; they will either agree that maybe that training is not what is required for that organisation because their board is fully equipped and capable or they may encourage an organisation to undertake training if they feel that there is a risk or a need.

Mr TONY ISSA: Is your department in contact with the organisation on a regular basis?

Ms TAYLOR: Yes. I can only mirror what Ms Walk said earlier: It depends very much on the nature of the service and how long the relationship between us and that NGO has been in place. For example, our regional contract managers for a new or very high growth NGO will spend a lot of time with those organisations locally, working with them, helping them to build networks, helping to familiarise themselves with our requirements and standards and so forth. But for an organisation that we have had a relationship with for decades, and we have a very good track record with that organisation, there may be less contact.

Mr TONY ISSA: How do different organisations share information between each other? Do they hold an annual workshop or once every two or three years to share information?

Ms TAYLOR: The most effective way for non-government organisations to share information is between themselves without the intervention of government. We are very strong on the notion of a non-government sector partnership. Government does not need to be at the table when non-government organisations work together; in fact, it is better if we are not. We do invest significantly in peak organisations to facilitate that engagement. For example, we have funded a forum that NCOSS operates, the disability network forum, which is all about bringing together a range of special interest NGOs so that they can talk together. We do not expect them to agree, that is not complicit of course, but it is a forum that we are facilitating; we do not sit at that table. We really believe strongly in partnership between the non-government sectors and between the non-government sector and government.

CHAIR: In relation to IT, the increased use of technology to manage contracts and service delivery would be beneficial to both the Government and NGO service providers. To what extent is computer technology incorporated in funding contracts with NGOs and what is your view in terms of its level of importance?

Mr LONGLEY: I do view it as being very, very important. It is not listed as a separate line item in our funding agreements or contracts with NGOs and, following my earlier comments, again, one would not want to do that. Different size organisations will have different levels of need for IT but I am a great proponent of IT being integral to how people do their affairs because, particularly with an individualised funding package arrangement, IT will be essential for organisations to bring the different costing elements together to enable them to provide sensible services as well as their own internal management requirements at the individualised level.

The NDIS—the Federal agency will have a very substantial IT need there and that will need to be done in such a way that they can run their services but also have an access capacity for individuals so that individuals will be able to see where their funding package, if you like, is up to. That will be a very important part of that. In terms of our own requirements, we need to straddle between those two because we do not want to make a massive IT investment which is then going to be obviated by the transition to the NDIS. It is an important area but individual organisations must do that themselves.

Mrs BARBARA PERRY: I just have two questions. I did not get to finish the area that I was trying to lead you to last time. You talked about the balance between regulation and flexibility. I was really interested in external accountability as we move to the new paradigm that we are heading towards. Is it enough to say that individuals be in control? Is that enough accountability and have you given any thought to the accountability mechanisms that are going to be needed for the NDIS and what does that look like, in your view?

Ms TAYLOR: For launch, for example?

Mrs BARBARA PERRY: For the launch, yes.

Ms TAYLOR: There are a number of policy parameters around the National Disability Insurance Scheme, which are yet to be landed. So there is still a national policy design process going on where a number

of issues, including quality and safeguards, have yet to be agreed by jurisdictions and will take some time to play out. So, for launch, the agreement with every launch jurisdiction is that the quality and safeguarding mechanisms which are in place within the State will remain. We will continue to require through the course of launch NGOs to meet the standards and to demonstrate that they meet the standards.

Mrs BARBARA PERRY: What about how money is spent by individuals?

Ms TAYLOR: How people spend their packages under the NDIS?

Mrs BARBARA PERRY: Yes.

Ms TAYLOR: The process—without getting into too much detail—is that there will be an assessment process undertaken by the NDIS followed by a planning process, which will then lead an individual to a reference package of supports. The NDIS bill explains how the agency will set the parameters around how people can choose to use their funding: they can do that with the assistance of the agency, with the assistance of a broker or they can do it independently. But the agency does have extensive rules around the way in which people will utilise their funding.

Mrs BARBARA PERRY: It is really difficult at this stage but I think that external accountability is going to be very, very important. The other question I wanted to ask—and I think this is really to you, Mr Longley—is that we know, having heard evidence here and having talked about accreditation, and I know you are not moving to an accreditation system, I understand that, research shows that organisations with the runs on the board should need less regulation, effectively, and then new players coming in, so to speak. How can we change tendering around this at this stage?

Mr LONGLEY: One of the great strengths of the system that we do have in place is via the funding agreements. There are the contract managers—they know their organisations well, and so you have quite a proactive approach, and I think that is significant. We also provide significant funding for the national disability service peak body, which has a very large number of disability service-providing organisations, and that covers a number of areas; one of those, for instance, is quality and quality frameworks. I have been very insistent since very early in my arrival that quality frameworks and quality assurance need to be externally validated for each organisation. I have been very strongly encouraging of that. The funding that we have been giving to the NDS has been around helping them to get their members to do that because this sort of external quality accreditation is very important and that is a part of the funding agreements that we have with those organisations. Part of that includes that those organisations need to have a complaints system so that you have that feedback mechanism built in as well.

There are a range of things built in there. I have been particularly strong and people are getting sick and tired of me talking about governance because I see it as being so important. It is absolutely essential that directors and top management of these organisations really need to understand governance, particularly as we move to a system where at the moment Disability Services in New South Wales is about \$2.5 billion a year but within a little over five years that system will be \$6.5 billion. That is a massive increase in the size of the system. The overwhelming bulk of that increase will be in the NGO sector and that is why I have really made a big thing about governance, about quality, about all of these external and important systems to the NGO sector, so I absolutely agree with where you are coming from.

Mrs BARBARA PERRY: I guess that is okay now while there is a big injection of money going into the system and to the NDS to support organisations with that and there are many players who may come in as well?

Mr LONGLEY: Absolutely.

Mrs BARBARA PERRY: Given individualised funding, what certainty is there going to be around that? The funding will not be there perhaps in years to come to support the types of things you are talking about. The individual funding will not be the panacea for that and there will not be cross-subsidisation so how are we going to maintain that into the future?

Ms TAYLOR: Part of the national design that has been agreed is that there is an ongoing line of sight from the transition agency Disability Care on sector development and maintaining a market, so they are very clear that they will need to continue to make sure there is some form of market control that they maintain and

some form of development which continues with the non-government sector. There is something like \$120 million in a sector development fund nationally, which pales in comparison to other jurisdictions in New South Wales investment in that space.

The other things that we are doing, in recognition of the first part of your question around reducing regulation for organisations which have a tested track record—and you are quite right, we have tested this market for the past 20 years and we probably know more than we need to know—is what we are moving into at ADHC in recognition of the transition of the NDIS is a prequalified panel model which does not require us to go out to tender and, as Mr Longley says, relies on local knowledge but within an accountability framework so that local offices are making transparent decisions. I will leave it at that.

CHAIR: Does that fit in with the Sign Once Agreement area you are moving into?

Ms TAYLOR: The Sign Once Agreement, yes. We put in place an agreement last year which set the scene for providers to understand that we were moving into a transition. It is likely that we will need to have people re-sign that agreement when the three years are up because things will be different now we have an NDIS agreement across New South Wales that the terms will not change in any material way. Our contract in fact did not change for over a decade and in most instances was a rolling contract; it is well known by the sector to be a rolling contract unless they are issues of non-compliance.

CHAIR: I am mindful of the time. Thank you very much, Mr Longley and Ms Taylor. We certainly do appreciate your time today. We know you are very busy and we appreciate your responses to questions on notice previously and the time taken to develop those responses. They will form an integral part of our report.

(The witnesses withdrew)

CARMEN DOROTHY RUBY PARTER, Director, Centre for Aboriginal Health, NSW Ministry of Health, affirmed and examined, and

ROHAN JOHN HUNGERFORD HAMMETT, Deputy Director General, Strategy and Resources, NSW Ministry of Health, sworn and examined:

CHAIR: Thank you for appearing before the Committee today. Could you please confirm that you have both received a copy of the Committee's terms of reference and information about examination of witnesses and do you have any questions concerning these procedures?

Dr HAMMETT: Yes, we have received the terms of reference and information and we do not have any questions.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and may be made public. Would you be happy to provide a written reply to any further questions?

Dr HAMMETT: Absolutely.

CHAIR: Before we proceed with any questions, would you like to make a brief opening statement of no more than five minutes?

Dr HAMMETT: No.

Mr KEVIN CONOLLY: The Grants Management Improvement Program recently introduced by NSW Health is described as changing the way that NSW Health responds to requests for ad hoc and sponsorship funding. Could you outline for us what sorts of changes this is likely to involve and how they will benefit NGOs?

Dr HAMMETT: I need to perhaps portray a bit of the context in which this is occurring. The New South Wales health system as a whole over the last 12 months has introduced major funding reform to the way we allocate budgets to local health districts and then they allocate those through to hospitals. As part of that the Ministry of Health, as the central agency of government, acts as the purchaser of health services, which are provided by local health districts in hospitals. In allocating a transparent budget to individual local health districts we say we wish to purchase a certain amount of emergency department services, a certain amount of inpatient services, a certain amount of outpatient services. That is the context of the whole of our health system.

What we have sought to do through the Grants Management Improvement Program is introduce a similar concept of a purchaser provider arrangement where we transparently purchase services from the NGO sector that align with the key health needs of the State and the strategic priorities set out in things such as the State Plan and State health plan. The Grants Management Improvement Program was designed to analyse the current process of expenditure on non-government organisations to understand how those can be allocated across a range of service priorities and then to introduce appropriate contestable funding mechanisms to ensure that we are providing the right services to the people of New South Wales and are doing it in a way that is transparent, accountable and understandable by the NGO sector.

Mr KEVIN CONOLLY: If I understand correctly the spirit of the grants program would then support and foster innovation and creativity on the part of the non-government sector to try to meet the goals that the Government has announced in its plans. Is that how you are finding it is panning out, that by having the program it stimulates creative responses to the needs of the community?

Dr HAMMETT: Certainly one of the objectives of an improved grants management program will be to foster innovation and support areas of service delivery that may not be particularly well developed within the NGO sector but for which there is a need to deliver best possible health outcomes. I have to say that our program is in its very early stages of iteration. Indeed, the Ministry of Health's report to a taskforce that

reviewed the grants program was only released last week so we are simply beginning this journey of seeking to make it more transparent and accountable and deliver the innovation that you are talking about.

Mr KEVIN CONOLLY: If I can look backwards a bit then, was the situation before typically that NGOs fronted up saying, "I've got this service to provide" and that tended to roll over and even though called grants, they were in fact ongoing in the past?

Dr HAMMETT: Correct. The vast majority of grants handed out by the ministry itself were recurrent grants, many of which had been in operation for a decade or longer and rolled over from funding cycle to funding cycle regardless of emerging health priorities and needs. What we are seeking to do is to put in place an arrangement whereby we can direct funding to where the health needs are rather than to historical anomalies potentially.

Mr TONY ISSA: I understand that the Government is looking at health services to Aboriginal people as a top priority. Can you tell me how Aboriginal people are responding to those services?

Ms PARTER: The question was how Aboriginal people are responding?

Mr TONY ISSA: Responding to the services. The Government has given high priority to Aboriginal health. We are looking at housing, homelessness, older people, disability and alcohol, all those things. How do you think Aboriginal people are responding to those services?

Ms PARTER: Just to put it in context, you will be aware that the Government on its arrival in 2011 continued their commitment around Closing the Gap. In addition to that election commitment they also said that we will do a 10-year Aboriginal Health Plan. As of December last year the Government released that 10-year Aboriginal Health Plan. It is a high-level framework plan that helps the New South Wales health system to direct that effort and investments around the types of things that we will actually do and because it is a 10-year plan it is designed to, in particular, target the public health sector and what they will do.

Some of the key things that that plan identifies is that in terms of the public health system we will work in partnership with Aboriginal communities around the design, implementation and evaluation of program, services and policies. The second thing that the plan will do is around implementing what actually works and create the evidence. A lot of the disparity is around what is the evidence regarding why services actually work and why interventions actually work so one of the biggest interests that we are doing in regards to the public health sector is to look at how we can create and promote that evidence in the design of our services.

The third component of that plan is around looking at integrated planning and service delivery and, in particular, how local health districts can work in regards to the private, the public and NGO sector around providing culturally responsive services to Aboriginal and Torres Strait Islander communities in New South Wales and, in addition to that, how those services can complement each other so that we are preventing duplication and fragmentation of the service delivery arm. The other element of that plan is looking at developing the Aboriginal and Torres Strait Islander workforce, in particular looking at areas to increase the number of Aboriginal people in the workforce not in identified or targeted service areas right across the sector with regards to medical, allied health or other types of domestic arrangements and services.

The other element of the plan is to look at the cultural competence, how organisations are culturally competent and able to provide service to the Aboriginal and Torres Strait Islander people. Finally, the other element is building the accountability and responsibility into our performance management framework. I needed to give that particular context because in terms of Aboriginal and Torres Strait Islander people accessing services, we know that Aboriginal and Torres Strait Islander people's health statistically is not that great but we also know that there are barriers to access around services and the types of programs that they need to access for whatever reason. There is lots of complexity around that, including social determinants of why Aboriginal people do not access services.

Having said that, I guess what I am trying to say is that there are services that have shown us good practice around the types of things that actually work and that are aligned with the steps the health system needs to take in those six elements that I described earlier. But in that we have still got a long way to go in terms of how we ensure that those services are culturally appropriate and provide and meet the local needs of those particular communities. Does that answer your question?

Mr TONY ISSA: What are you doing to make sure that Aboriginal people will have access to the service? What action are you taking to encourage them to have access to the service?

Ms PARTER: Local health districts are doing a lot of activities around access to services. In particular, we have specialist Aboriginal health workers that provide the conduit between the service and the Aboriginal communities in supporting Aboriginal people to access, for example, chronic care services that we actually have in place. We might even have Aboriginal hospital liaison officers again to support Aboriginal and Torres Strait Islander clients or patients in hospital-based services and also to provide that follow up that they actually need. In regards to secondary or primary community health, again we have positions in those particular arenas around supporting the access. That is having people on the ground, front-line service provision.

The other element too is looking at the data and information systems around the quality and the reliability that help us to make decisions around why, for example, Aboriginal and Torres Strait Islander people leave emergency departments against medical advice. The prevalence of that is quite significant and we want to know why that is happening and so there a number of projects across the State that are actually enabling that to happen. In particular, if my memory serves me correctly, in the mid North Coast they have a Close the Gap program in their emergency department to address that particular issue.

In rural and remote areas again there are geographical issues and isolation issues, but in most cases while there are mainstream services there they may well need Aboriginal medical services so the Ministry of Health actually provides complementary funding to Aboriginal medical services to supplement the funding that comes from the Commonwealth. They would provide a number of, in particular, comprehensive primary health care programs, whether that be associated with prevention of morbidity and in particular issues around diabetes education, prenatal education or maternal and child health issues and ear health type initiatives. But similarly that is complemented by some of the services that are conducted through the New South Wales public health sector as well. It varies right across the State in regards to the types of programs.

Mr TONY ISSA: Do you concede there are different needs between Aboriginal people who live in urban areas and those who live in rural areas?

Ms PARTER: There is, and that is associated generally to the service infrastructure and the geographical issues that I previously identified.

Mrs BARBARA PERRY: Dr Hammett, you spoke about the purchasing of services by Health from non-government organisations. I take it that is mainly for community-based needs. Is that right?

Dr HAMMETT: It could occur in a number of areas.

Mrs BARBARA PERRY: For example?

Dr HAMMETT: Anything essentially that a non-government organisation [NGO] could provide that might have relevance to health service delivery. Health promotion, education, professional development and obviously the service delivery aspects of community care are all things that we might look at purchasing.

Mrs BARBARA PERRY: As you move into what you say is a more transparent system, I guess I am going to ask you the same question that I asked earlier about regulation versus flexibility and new players versus some of those older players, even though you would argue that the grants program was not the best outcome. Do you have any comments to make in relation to that? I saw you sitting here earlier when I put that same idea around regulation flexibility, new players coming in versus old players and tendering processes or grants processes. Is that part of the process that you have looked at in this new system?

Dr HAMMETT: I guess there are lots of concepts and questions contained within that. Let me try to cover them. In conceiving how we might improve the grants program within NSW Health we started with an initial premise that the NGO sector was an important partner in health service delivery. We set up a task force that included representation from all of the peak NGO providers and we actively consulted on how this program could be improved. There was clear feedback from those consultation sessions, which were held around the State and online and in direct face-to-face meetings, that there does need to be both transparent and predictable levels of funding, but also there needs to be appropriate accountability and governance around what taxpayers' dollars are buying. We need to ensure that the funds that are going in to purchase types of services or health

promotion activities or whatever the NGO might be providing needs to be done within a framework that has the appropriate governance and accountability.

In some contexts that will be through open and direct contestable tenders, for instance. In other contexts it may be to set up a statewide panel of NGO providers that are accredited to produce a certain type of service. If we want to foster the innovation that Mr Conolly referred to earlier, it may well be that there is direct investment in particularly innovative service models that have been tried and tested elsewhere. There will be different funding mechanisms appropriate to the type of service that we are choosing to purchase, but all of that has to happen within an appropriate governance and accountability framework.

Mrs BARBARA PERRY: You are basically saying one type of funding mechanism and transparency will not fit every service that you are seeking to purchase?

Dr HAMMETT: I think that is probably correct. The significant differences in the types of services that are provided by the NGO sector within the health context would suggest that there will be different funding mechanisms. For instance, we are asked every year to provide sponsorship for a number of key educational opportunities, conferences and training opportunities that are run by NGO sectors in important health program areas. It is appropriate that we provide some sponsorship, but the way in which we have done that has historically been in an ad hoc fashion. A request would come in at any time of the year, there would be consideration of that request and money may or may not be granted. What we would like to do is introduce a more predictable, accountable and indeed contestable process where on an annual basis there is a set amount of money that NSW Health provides for sponsorship of educational opportunities. Everyone in the sector knows that and on a certain date we call for applications. Those applications are assessed and the funding for the following year's sponsorship grants is awarded and everyone understands that those are the programs that are going to be sponsored.

Mrs BARBARA PERRY: What is the difference between that and what has occurred?

Dr HAMMETT: What has occurred currently is throughout the year there may be 20 or 50 or 100 conferences that occur that people seek sponsorship for and on a weekly basis we will get requests and these are considered on a one-off basis.

Mrs BARBARA PERRY: You are just going to have it once and that is basically it?

Dr HAMMETT: We will do it on an annual basis and say that here are the priorities for health set out in the State Health Plan and the Aboriginal Workforce Plan. Here are the things we would like to sponsor. You are welcome to apply. Everyone in the sector will understand whether they have got sponsorship for that year or not.

CHAIR: I take it the task force you are referring to is headed up by Professor Chris Puplick?

Dr HAMMETT: That is correct.

CHAIR: We understand Health has moved to respond to the Independent Commission Against Corruption [ICAC] and the NGO sector?

Dr HAMMETT: Yes.

CHAIR: Could you elaborate in terms of the stability and the contract periods that you are going to look for, some of the challenges that Health has faced previously and where you think it may stabilise?

Dr HAMMETT: The recommendations coming out of the ICAC inquiry and the Grants Management Task Force Report are generally consistent. Both pointed to the desirability of longer-term stable funding for the NGO sector. The task force that Health convened looked at three years' funding. I am aware that the ICAC proposed even longer terms potentially. In responding to our task force report, Health has said we are interested in looking at longer-term funding and providing that certainty and stability for the NGO sector. Mindful of the fact that there is a disparity between the ICAC recommendation of up to five years and the task force recommendation of three years, that is currently under consideration and it will be decided as part of our contestable funding processes. But we are certainly very mindful that both reports have suggested the need for longer-term stability and funding.

Ultimately, we think that if our grants program is designed appropriately there will be more money going into service provision by the NGO sector than there is currently, because we acknowledge that the NGO sector—an important partner for the New South Wales Ministry of Health—has access to disadvantaged populations that we may not be able to access as easily from the government sector. Also they are able, through their lower overhead base, to provide cost-effective services for us in some settings. We are hopeful that the improvements that we are proposing will deliver better value for money for the New South Wales taxpayer but also a greater degree of certainty for those bodies that are receiving the NGO funding.

CHAIR: Given what you have just gone through, do you think those recommendations would have a place in a whole-of-government approach?

Dr HAMMETT: I do not think there is anything within the Health recommendations that would be inconsistent with a whole-of-government approach.

CHAIR: In terms of accounts with NGOs, do you think that there is a thought process around being audited by the Auditor General which would then place them on the radar of the ICAC when we are looking at transparency, honesty, transparency and delivery of services given the fact that we are using taxpayer funding?

Dr HAMMETT: I am not sure I am in a position to answer that question. I am unaware of the specific terms of reference of the Auditor General as it pertains to NGOs. I assume there would need to be some legislative change associated with that. I do not feel qualified to answer that.

Mrs BARBARA PERRY: Has Health responded to the ICAC report yet in relation to the recommendations that were made?

Dr HAMMETT: No, I do not think we have formally responded at this point.

Mrs BARBARA PERRY: Is there an intention to do so?

Dr HAMMETT: I do not believe a request for a response has been received by Health.

CHAIR: In relation to the outcomes and the targets set in terms of Aboriginal health, and the reform process and the planning that recently went around New South Wales and 16 or 17 meetings across a range of communities in a range of locations and environments, how confident are you that we will see some real outcomes, given the history and why we are still talking about this stuff?

Ms PARTER: Aboriginal health, as is Aboriginal affairs generally, there are significant complexities around the historical nature of Aboriginal affairs generally and the complexities around even fundamental things like access to education, housing, employment, et cetera. As a health system we probably, as do other portfolio areas, face significant challenges because of those indirect influences on health and wellbeing in terms of Aboriginal and Torres Strait Islander people. So the challenges are probably great and I know governments over the years have made a number of attempts around designing policy that would address the disadvantage faced by Aboriginal and Torres Strait Islander people. From our perspective as a public health system, now that the New South Wales Government has released the 10-year Aboriginal health plan, we believe that that plan provides the guidance and attempts to put in place the foundations required to support our efforts around addressing the disparity between Aboriginal and Torres Strait Islander people.

Statistically, we know that in the past there have been significant disparities, particularly in life expectancy, but I think the recent most health performance framework, which is an Australian Government report, identifies that there are some movements in improvements, in particular in Aboriginal infant mortality across Australia. They are some of the successes around accessing Medicare items and there have been improvements around that as a result of the Close the Gap agenda supported by the Council of Australian Governments. But in terms of that particular policy commitment and the 10-year plan, it is probably early yet to determine whether we are successful but we are feeling confident that in particular the 10-year plan offers a completely different perspective because it focusses more on what the public health sector should do in regards to bringing all the providers together and working with communities and it takes what we regard as a system perspective in addressing Aboriginal health so that it is about the health system working with communities and other providers around changing their systems of practices.

I think we are feeling confident that that might form the foundation for seeing some great sustainable and innovative and creative results as we head over a 10-year period but that is not neglecting the fact that the current effort and current investment, including the past efforts, have shown some improvements in particular areas, but as a health system we still have a long way to go. We will always face the challenges but we feel confident that the current plan will offer the framework to help us and enable us to be able to address those challenges.

CHAIR: In terms of funding arrangements, how does the Ministry of Health fit with Aboriginal medical services across the State and separately?

Ms PARTER: As I alluded to earlier, the Commonwealth in particular provides funding to Aboriginal community control health services or Aboriginal medical services as they are commonly known, so they are the primary funders, but the Ministry of Health and some local health districts also provide complementary funding to Aboriginal medical services in terms of offering and in particular addressing particular health issues. From our perspective, the Centre for Aboriginal Health, we historically have had what we call the Aboriginal Health NGO program, commenced back in the 1970s or the 1980s. So there is historical funding but recently there has also been the significant investment made under Close the Gap through the Council of Australian Governments, which at the time, back in 2008, supported a \$1.6 billion investment. Part of that funding is made up of Commonwealth funding and part of it is made up of State and Territory funding.

CHAIR: In terms of the Aboriginal NGOs, do you know how many we have in New South Wales, specifically in that sector?

Ms PARTER: In New South Wales there could be anywhere up to 60.

Dr HAMMETT: We might have to take that on notice. I do not think we can give you an exact number today, but we can certainly take that on notice and provide it to the Committee.

CHAIR: Does the Ministry of Health have a role to play in the Aboriginal early childhood learning centres that are being set up across the State or is that totally Federal?

Ms PARTER: No, that is another agency. I am not quite sure which one.

Mrs BARBARA PERRY: On the allocation of funding, do the Minister for Health and the Minister for Mental Health in this State still have discretionary funds?

Dr HAMMETT: Yes, they do.

Mrs BARBARA PERRY: Will the system that is coming into play impact on those discretionary funds and how they are spent?

Dr HAMMETT: The grants management improvement program has not looked at the issue of those discretionary funds and their expenditure; it is looking at the other available funds to the NGO sector.

Mrs BARBARA PERRY: In the spirit of the ICAC recommendations, is there any view within the ministry at this stage as to implementing some sort of framework as to how those discretionary funds are spent?

Dr HAMMETT: I am not aware of any view within the ministry around that at this time.

Mr TONY ISSA: I will be interested to find out if the Aboriginal people have a plan and strategy in place with recommendations to the Government. Have they ever presented any strategy and plan with recommendations to Government about their needs? Did the Government get involved with the Aboriginal plan and strategy?

Ms PARTER: The 10-year plan was done in collaboration with the Aboriginal Health and Medical Research Council, which is the peak body for Aboriginal community control health services that represent constituents. They were heavily involved in the consultation process and the design of the plan and subsequently were partners in the release of that plan.

Mr TONY ISSA: Was it done by the Aboriginal people or did the Government have input into it?

Ms PARTER: When you say—

Dr HAMMETT: It is done in partnership. There has been direct consultation.

Mr TONY ISSA: I was thinking about having something done by the Aboriginal people themselves. Did the Government get involved? How do the Aboriginal people see their needs in the strategy, the plan, and what recommendations were made? Did the Government have input?

Ms PARTER: We have a longstanding partnership arrangement with Aboriginal communities and that dates to 1995. It is through that partnership arrangement that we work with communities to offer up proposals or advice to the Government. That is the way that we in terms of the health system—

Dr HAMMETT: We are delighted to have the ideas of Aboriginal communities feeding into the way Aboriginal health services are delivered, and it is seen as a real partnership, the good ideas from Aboriginal communities about what will be the most successful interventions.

Mr TONY ISSA: I have a good relationship myself in the past with the Aboriginal people in my area. I talk on a daily basis with them. I understand the normal Aboriginal people's needs are different than the people who work as contractors to the Government. Some of them feel affected by their past. Some of them feel they are not integrated into Australian society. Some of them feel isolated. If you hear from them directly how they feel about it, then you would be able to tackle the problem from the roots, from the base, not from the top. If you go back to the bottom, start from the community base and see how people feel, talk to the people in the bush and see what they think, talk to the people in Redfern and different areas and see the different mentality, different approach, then you will be able to build the strategy based on their needs and their understanding.

Dr HAMMETT: We would agree entirely and we do do that.

Mr TONY ISSA: I do not think it is proper for us to say this is the strategy, this is the plan. Let them get involved in their policies, their recommendations, their needs. Let us ask now how they feel about it, not on how we feel about it without their input.

Ms PARTER: In terms of the 10-year plan, as Dr Hammett said, we agree that there is a need to talk to the people and particularly those on the ground. It is about having the mechanisms in place to enable that to happen and we have been advocating—and a number of local health districts have taken this on board—to set up such consultative or engagement mechanisms with the community. For example, some of the local health districts have set up what they called Close the Gap advisory groups to their local health district boards. In other cases, because our partnership has been longstanding, some local health districts have continued the partnership arrangements that they have with community control.

The other element that is also a requirement is the need to have a person on the board who has an Aboriginal health expertise and they are usually the people who drive a lot of the conversations with communities around their local needs. Similarly, many of the local health districts have their own Aboriginal health units and they are pivotal to enable that conversation with communities to occur around what types of services the Aboriginal and Torres Strait Islander people need. So there are a number of mechanisms throughout the State that are enabling conversations to occur to ensure that the views of the Aboriginal people are brought to the service delivery design aspects of our health services.

Mr TONY ISSA: With due respect, a lot of people who claim to be Aboriginal leaders talk on behalf of the Aboriginal people without consulting their people out in rural areas; they talk only to their own people to see what they need. They are talking at their own level. They have already been integrated with society. They already know all that stuff; they are talking of their own experience without going back to the original people who have been affected by the past or whatever the case may be and consult with them to bring something back to the Government or the wider community.

Ms PARTER: I think that is the intent of what we are trying to do as a health system.

CHAIR: We have heard on a number of occasions about demarcation disputes between community health and Community Services, and now obviously the NGOs in terms of the bureaucracies that exist which provide a blockage to some services. Are you aware of any challenges that occur in that regard?

Dr HAMMETT: I think historically there may have been some challenges arising from the fact that there are different responsibilities arising for different funding streams and that at times there is a risk of overlap or duplication of funding of similar services. We are certainly working closely with our Community Services colleagues in government to minimise the risk of that occurring. As both parts of government are looking to reform their programs, we are seeking to ensure that we can address any of those challenges that may have existed historically.

CHAIR: How are you doing that?

Dr HAMMETT: You have just received testimony from Mr Longley. We meet regularly with Mr Longley to talk through the priorities of the program. The Government has established whole-of-government approaches to the design of the policy directions associated with the National Disability Insurance Scheme for instance. As we move to the development of a major piece of reform in this space all the relevant parts of government are sitting around the table working out how this program needs to be designed to get over the sorts of challenges you referred to.

CHAIR: We heard firsthand how a young child needing special service goes to Community Services, then it goes to Health and the funding stream is different, as you rightly point out, and that person is caught between the gaps, and it can be a real challenge for a family. That on-the-ground stuff is very concerning. On paper it looks fantastic, everything is working magnificently, but on the ground there are still some real challenges out there.

Dr HAMMETT: I am not sure if there was a question in that.

Mrs BARBARA PERRY: Does trying to cut out the overlap mean it is essentially trying to also redirect money to other services? You might have agencies, say Health and ADHC, funding for different reasons, say a speech therapist or whatever it is, some sort of community-based thing. Does that mean effectively there will be less money going into that by cutting out the overlap?

Dr HAMMETT: No. Certainly our intention is, as I said earlier, we should see more money provided to NGO service provision in the community. Sensible conversations need to occur to make sure as much as possible that situations that Mr Anderson referred to do not occur, that you and I and our families, when we are trying to access government services on the ground, see a system that makes sense and that they can access in a sensible and rational manner, not be moved from one arm of bureaucracy to another and given the run around on how they access funding. Certainly we are working with our ADHC colleagues to try to provide that.

(The witnesses withdrew)

JASON ARDLER, General Manager, Aboriginal Affairs, Department of Education and Communities, affirmed and examined:

CHAIR: Can you confirm that you have received a copy of the Committee's terms of reference and information about the examination of witnesses?

Mr ARDLER: Yes, I have.

CHAIR: Do you have any questions concerning these procedures?

Mr ARDLER: No, not at this time.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today the Committee may wish to send you additional questions in writing, the replies to which will form part of your evidence and may be made public. Would you be happy to provide a written reply to any further questions?

Mr ARDLER: Absolutely, yes.

CHAIR: Before we proceed with any questions would you like to make a brief opening statement of not more than five minutes?

Mr ARDLER: I think I am here to answer your questions, so I am happy to answer questions if that suits you.

Mr KEVIN CONOLLY: There is an overrepresentation of Aboriginal people across the Family and Community Services system. The Committee has been told that local employment of Aboriginal staff can achieve better participation outcomes for clients. What are the current strategies to improve employment prospects for local Aboriginal people in delivering services to their own communities, and is this something that should be part of contractual arrangements with NGO providers, particularly in rural and remote areas? In answering that you could throw in some specific examples of what services in particular your department is providing to people in those areas.

Mr ARDLER: Sure. The first point I would make is that Aboriginal Affairs is not a service provider as such. We have historically run a handful of programs that are more about supporting community governance and leadership. We do not provide health services, child protection services, those sorts of things, generally speaking. We are about to adopt a stronger role across government in Aboriginal economic development which will include Aboriginal employment. I suppose in that sense we will be working over the next little while very closely with the Department of Family and Community Services around workforce development strategies for Aboriginal NGOs, for instance.

We will be working with the Public Service Commission on what we would anticipate is a new Aboriginal employment strategy for the New South Wales Government. They are a couple of the things we will be working on. We will also be working with the New South Wales Land Council and its interest in economic development and establishing Aboriginal enterprise, particularly that relating to Aboriginal land management. Our brief for Aboriginal economic development is about to become formalised, if you like, and somewhat broader than it has been in the past.

There is no doubt that one of the keys to making services more accessible to Aboriginal people is increasing the cultural competence of organisations, be they government or non-government. A key component of that is about workforce development and having an Aboriginal workforce in those organisations. It is true that it is in many ways ironic, I suppose, that some parts of the State which have the highest Aboriginal population are some of the hardest in which to attract suitably qualified Aboriginal people into the workforce. These sorts of strategies, while they are not defined at the moment, will by necessity have to focus on building local capacity.

That has a number of multiplier effects in that Aboriginal people would prefer to access services where they have an existing relationship with people, particularly if they are sensitive health or cultural type issues, but creating employment in those townships also has the effect of creating greater prosperity and greater wealth in those communities. The social aspects of that would be around pride, identity, social cohesion and those sorts of things. It is certainly my view that the Aboriginal affairs agenda for a very long time has focused on the deficits, or the disparities between Aboriginal people and the rest of the population, and employment and education are the keys to a better future for Aboriginal people.

CHAIR: What we found in our inquiries and talking to different organisations is that local people working with local people—end of story—particularly out at Walgett and Narrabri, where we have just recently been, in rural and remote New South Wales. You talk about workforce development and how hard is it. What strategies do you have in place to enhance that?

Mr ARDLER: It is difficult because you are starting in some respects from a fairly low base. We are dealing with a portion of the population that is not just dealing with unemployment but also an overrepresentation in the justice system, with health issues, school achievement, those sorts of things. In some ways it is a battle being fought on many fronts. One of the strategies that we have is to start a lot younger. We recognise that if you start trying to talk to Aboriginal young people about employment in year 9, for instance, you have probably started too late because they have already been sidetracked to other things. Our intent would be to start much younger, certainly as early as year 7—perhaps even in the latter part of primary school—and start to build an expectation in kids that they need to have aspirations, that they can be whatever it is they want to be.

I sometimes tell the story of talking to a friend of mine who works for an Aboriginal NGO, and she talks about her daughter who at five years of age wanted to be a witch when she grows up. Her response was fantastic: You will need to do science and you will need to do maths and do whatever. The point was that it did not matter what she wanted to be, it was just encouraging the aspiration. That is certainly one of the strategies we are looking at, but more than just encouraging the aspiration but bringing local employers into the school so there is a direct line of access for what is potentially quite a significant workforce and local employers. We know we need to get kids engaged in the workforce earlier, be it through work experience or whatever it is. It is about aligning the aspirations with what they are learning in the classroom and some sort of extracurricular activity, be it work experience or what have you that leads them on a natural pathway into further education or employment.

CHAIR: We heard that some service providers get referrals from local Aboriginal medical and legal services as well as from magistrates, police and schools. In getting that essential expertise and starting to bring them through organisations what else are you doing? I will use Centre Care at Walgett: I have two Aboriginal people working for them and they are doing a great job. How do we get more of those people on the ground ready now? Some of the programs you are talking about could be 15 or 20 years away. How do we recruit these people now?

Mr ARDLER: I think inevitably there is going to be a lag. I hope it is not 15 or 20 years. This issue of trying to get qualified, experienced people into these roles has vexed us for some time. Part of the mistake, if you like, or the inefficiency in the previous approach, is that we have not drawn a line and said okay, we are going to have a lag but let us start today so that in five years we are not having the same conversation that we are having today.

CHAIR: It certainly appears that is the case, does it not?

Mr ARDLER: I think that is probably a fair observation. The good news is we have a lot of young talented Aboriginal children who are doing well at school and who have aspirations to go on and do important work. I have a 13-year-old daughter—she is one of them. She wants to be a schoolteacher. It is not that there are not those kids out there now; it is just that they are not often in the places where it is the hardest to fill those jobs.

CHAIR: Does the Aboriginal Employment Service have a role to play?

Mr ARDLER: Absolutely, yes. It does a very good job. Like many non-government organisations, it is bound by government funding arrangements and the peaks and troughs. But, by and large, it is effective and well supported.

CHAIR: What services would some of the NGOs you spoke about provide on the ground?

Mr ARDLER: The Aboriginal NGOs?

CHAIR: Yes.

Mr ARDLER: Any number of services, really. The Aboriginal medical services often provide clinical health services but they also provide, in some cases, things like child care, support for elders, support for men's and women's cultural groups. They tend to go beyond just the stock standard services. There is something like 40 Aboriginal out-of-home care providers that provide out-of-home care support and broader family support. There is a range of smaller NGOs that provide things like playgroups, childcare, youth activities—those sorts of things.

CHAIR: Craft, motherhood, parenting?

Mr ARDLER: All those sorts of things. They are often the social fabric of small communities. That is why they are so valuable to those communities and the reason why we get a lot of push back from Aboriginal communities to the engagement of the bigger, mainstream NGOs.

Mrs BARBARA PERRY: It is becoming clear, through human services, that social enterprise is a priority for the Government. It is clear, in your evidence today, that your department or agency will broaden into that context of providing programs or working on programs that foster social enterprise. What will happen to that important work that your department does in the area of community governance and leadership?

Mr ARDLER: We will continue to do that.

Mrs BARBARA PERRY: Will there be any extra funding?

Mr ARDLER: I am not sure yet. That is being considered now.

Mrs BARBARA PERRY: I notice that in the Community Builders program—a DOCS, FACS program—six out of the 12 projects that were funded were for social enterprises. Would you agree that unless you build governance and leadership social enterprises are a difficulty in Aboriginal communities?

Mr ARDLER: My fundamental view in that regard is that, probably forever, Aboriginal affairs have focused on human services—that deficit-based approach again. For a long time there has been rhetoric around things like self-determination—"Aboriginal people know best", et cetera—but we have never invested in that rhetoric. What I would hope is that my agency will start making a stronger investment in those sorts of things: governance, leadership, economic capital—things that are more strength based.

Mrs BARBARA PERRY: What you are seeking to do is to work with New South Wales land councils around social enterprises. Can you talk about the work that has been done to establish that? What is the work that you are undertaking with land councils around social enterprise?

Mr ARDLER: We have not really started the work with land councils. This is a new mandate for us to start doing that work. The NSW Aboriginal Land Council has, I think, just established its own economic development advisory body. Our expectation is that we will work closely with that group. We are certainly inserting ourselves into a lot of the current government reform agenda relating to land management, natural resource management, those sorts of things, because we see those as significant opportunities for those land councils.

Mrs BARBARA PERRY: You have established what you are doing but what I am asking is: Will the Government be looking to fund land councils around social enterprise formations? If that is what the Government is intending to do what accountability levels will there be?

Mr ARDLER: Probably not to fund the land councils. Land councils have their own statutory funding.

Mrs BARBARA PERRY: Some have more money than others, as you would appreciate.

Mr ARDLER: That is right. Some of the work that we will be doing is to look at reform of the Aboriginal Land Rights Act. Some of that is about trying to enable land councils to realise the economic potential in the lands that they hold. One of the best performing land councils, in terms of cost-benefit, would be the Gandangara Local Aboriginal Land Council. Because of its successful land dealings in the past it is now able to offer a range of services to its community—health services, childcare facilities and those sorts of things—that are all self-funded.

Mrs BARBARA PERRY: You are looking at employment opportunities now for Aboriginal people. That is part of your brief. What is government going to be requiring of the land councils in that regard and what accountability measures is government going to be requiring of that? If that is an outcome that you are seeking and you are working with land councils to achieve that, are there any accountability structures that are being sought, apart from outcome structures?

Mr ARDLER: I think the land councils would argue that they are already regulated to within an inch of their lives, and probably regulated to a greater extent than most other organisations.

Mrs BARBARA PERRY: That is where I was heading. Is there any other regulation you are going to be insisting upon?

Mr ARDLER: No other regulation. What we want to look at is streamlining the existing regulations so it is brought more into line with what any corporation could expect. I do not want to pre-empt this but I think it would be sensible that those small land councils that have few assets and straightforward day-to-day operations, would be scrutinised to a lesser degree than the bigger land councils with significant asset bases and with significant business operations. It is about red tape reduction in some respects but also making sure that the regulation is more effective and not just there for its own sake.

Mrs BARBARA PERRY: When will the review of the relevant Act be completed?

Mr ARDLER: We hope by the end of this year.

Mr TONY ISSA: There is over representation of the Aboriginal people and there is a full range of services available. I notice that Aboriginal people do not access those services. It is wasteful for the Government to provide a service if people do not want access to it. What are you going to do to encourage Aboriginal people to accept those services or should the Government cut down on those services?

Mr ARDLER: There is a lot in that question. Part of the reason why Aboriginal people do not access those services is because they often do not feel confident in those services. Again, it comes down to the issue of the cultural competence of those organisations, having to go to providers that they do not know or do not trust. We have examples where some of the service providers, particularly some of the non-government service providers, are connected to church groups, for instance. Aboriginal people often have not had good relationships with church groups over the past 200-odd years. So the issue of Aboriginal people accessing those services is a complex one. It is not just a matter of Aboriginal people saying they do not want those services. In some cases it is probably true that services—for want of a better word—get dumped on to communities where they are not necessarily that community's priority. We hear that in communities all the time, particularly in terms of the Federal Government's decision to provide various services. Communities do say that often the services they are provided are not necessarily the services they would choose if they were able to.

Mr TONY ISSA: Do you reckon we should cut down on those services?

Mr ARDLER: I do not know that it is a matter of cutting down on the services; I think it is a matter of mapping the services, understanding where the overlaps are, understanding what are the issues leading to people not accessing the services and identifying where the gaps in services are.

Mr TONY ISSA: Going back to your organisation, what role are you going to play to encourage Aboriginal people to access those services?

Mr ARDLER: It goes back to the role that we are going to take and part of that role is about building governance and leadership. We also need to build the decision-making capability of Aboriginal communities so that they can participate and negotiate on equal terms with government in relation to the services they want and need, rather than just being the passive recipients of services that somebody else has decided they need.

Mr TONY ISSA: What are you going to do to foster trust between the service providers and the Aboriginal people? You told me earlier that there is no trust. What are you going to do to close that gap? You are talking about a 200-year issue. I think it has all been buried in the past. Is it not about time to move forward? How are we going to move forward?

Mr ARDLER: I think the way to move forward is by working on equal terms. On the one hand, it is building the capacity of Aboriginal communities to work effectively with government and others. On the other hand, it is about building the capacity of government and other service providers to work effectively with Aboriginal people. From research that we have done in other parts of the world we know that the issue of mutual capacity building is fundamental. It allows Aboriginal people the opportunity to identify their own priorities. It gives them local accountability where somebody is reporting back to the community about what is being provided with the funding that has gone into that community.

Mr TONY ISSA: That was my concern earlier, before you came in, that Aboriginal people should identify their own priorities, their own needs, their own policies and plans or strategies to put to the Government. What is your recommendation?

Mr ARDLER: I think it is correct. Again, we have this rhetoric about self-determination and Aboriginal people knowing best but we do not always walk the walk. So part of the future strategy has to be about genuine opportunity for Aboriginal people to make decisions about the things affecting their lives.

Mr TONY ISSA: Do you see it as a gap between the leaders of the Aboriginal communities and the Aboriginals themselves?

Mr ARDLER: It depends what you mean by "the Aboriginal community". At the local level, I do not see that gap. It is possible that you see that at a State level but arguably you will see that with the Parliament as well. At the local level, I think most of the Aboriginal leaders are well connected with their local communities.

CHAIR: You were saying earlier that you deal with a number of Aboriginal NGOs. How can we empower them to have a greater role in service delivery in Aboriginal communities?

Mr ARDLER: How can we empower NGOs?

CHAIR: I will let you think about that. But pondering the fact that you were saying some of the services that are provided at the moment are not culturally aligned, how do we give them to the NGOs or empower the Aboriginal NGOs to take up those services which would encourage more participation and build the capacity? Ultimately, the other end is where they come out with economic drivers and more Aboriginal people taking roles in community service delivery.

Mr ARDLER: The types of areas that we would need to look at would relate to the way government procures those services, for instance. There would be a couple of things in that. What Aboriginal communities talk about is wanting a greater say in who provides those services as well as what services are provided. They talk about wanting local assessment panels, with local community people, so that they are having a greater say in who is coming into their community.

Clearly, working with those communities to encourage and support NGOs to build their cultural competence, particularly locally, so that we do not have just a generic world view of Aboriginal culture and heritage—that it is far more targeted than that—and looking at opportunities to assist them to develop their workforce, the sorts of things that we have done in the past is enter into partnerships with Community Service and disability non-government organisations or mainstream non-government organisations and the Australian Government to look at how we could better support and encourage the non-government organisations to employ, develop and retain local Aboriginal people. That has proved to be quite successful, I have to say.

The ideal outcome from that has been, in the case of the disability NGOs, that they have said that once this little bit of government program funding disappears we now are confident that we can just keep on keeping on. Communities certainly talked about, while they are not universally supportive of big mainstream non-government organisations, recognition of the big mainstream non-government organisations can be a breeding ground, if you like, for a future Aboriginal NGO workforce. The communities have talked about supporting

secondments of Aboriginal people across sectors so that they get a broader range of skills and experience that are then transferrable back into their own organisations and their own communities.

CHAIR: I am mindful of the time. We have no further questions. We thank you very much for your time. It is greatly appreciated. We also appreciate the time taken to respond to questions on notice. You appeared before our Committee previously and we thank you for that as well. We know you are a very busy man. The information you provided today and the feedback will be integral to informing our report. Thank you very much for your time.

Mr ARDLER: Thank you.

(The witness withdrew)

(Luncheon adjournment)

ROBERT WALDERSEE, Executive Director of Corruption Prevention, the Independent Commission Against Corruption, and

BENJAMIN ROBERT MARX, Senior Research and Prevention Officer, the Independent Commission Against Corruption, affirmed and examined:

CHAIR: Thank you for appearing before the Committee today. Will you confirm that you received a copy of the Committee's terms of reference and information about the examination of witnesses?

Dr WALDERSEE: Yes, I have.

CHAIR: Do you have any questions concerning those procedures?

Dr WALDERSEE: No.

CHAIR: For the sake of the *Hansard* record, will you state in what capacity are you appearing today?

Dr WALDERSEE: I am the Executive Director of Corruption Prevention at the Independent Commission Against Corruption and that is the capacity in which I appear.

Dr MARX: I am the Senior Research and Prevention Officer at the Independent Commission Against Corruption. I was the project manager of research for the non-government organisation project and I appear in that capacity.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and may be made public. Would you be happy to provide a written reply to any further questions?

Dr WALDERSEE: Yes.

CHAIR: Before we proceed with any questions would you like to make a brief opening statement of not more than five minutes?

Dr WALDERSEE: I will make a brief statement. Taking into account that the report that we have put out has probably been read, I will just cover briefly why we did it and the way we did it. That the goal of a locally responsive human service delivery is more likely to be achieved through funding of non-government organisations linked to the community than through centrally designed and administered government programs is self-evident. That government making available billions of dollars through many thousands of funds transfers to thousands of small organisations for delivery of services is a corruption risk is also self-evident. It is a principal function of the Independent Commission Against Corruption to advise public authorities or public officials of changes in practices or procedures that are both compatible with the effective exercise of their functions and necessary to reduce the likelihood of the occurrence of corrupt conduct.

The position paper was produced, mindful both of the need for agencies to effectively implement the delivery of human services through non-government organisation funding at a local level, and for agencies to retain control and ensure probity of the funding. The overarching observation we made was that, despite significant variation between agencies, government human service controls can be characterised as highly centralised in terms of planning and decision-making. Such high levels of centralisation of decision-making, formalisation of activities in policies and procedures and standardisation of service are well suited to delivery of similar services of similar quality equitably across all of the State, and agencies still do deliver some services that way.

But such an organisational design is ill suited to managing the timely development of services which are tailored to individuals and communities and delivered by third parties. What might work in a local context—the needs of different individuals and communities, the capacity of a non-government organisation to control funding or the quality of its services and so on—are judgements that tend to be made at or near the front line,

and such information does not easily, completely or quickly move to decision-makers if they are centrally located within organisations. It appears to us that the organisational design best suited to the goals of the non-government organisation delivery model is one where decision-making is devolved to the local areas in the front line. Decision-making is shifted to where the information exists that is needed for effective decision-making. Any other design will struggle to meet the operational demands, and it is because of that difficulty we believe that we started to observe the decentralisation of decision-making emerging within those agencies, despite the formal system of centralised control.

It was happening outside of the formal systems of the agency. To us, that is a situation of concern, and I think it would be for anyone concerned about corruption, probity, waste or service quality. The centralised systems are not suited to controlling corruption risks within the emerging or planned decentralisation that we see occurring. Therefore the recommendations in this paper do not go to enforcing compliance with centralised systems of agencies. Those systems themselves we do not believe are compatible with the agency goals of flexible, tailored and timely delivery of services at a price that represents value for the taxpayer. Rather, our recommendations go to describe principles of controlled decentralisation that support the government goals of non-government organisation funded delivery, at the same time improving control of the funds. The recommendations address the definition of a local area, the requisite skills at various levels within agencies, information and accreditation systems, accountability and simplification of funding arrangements achieved by aggregated outcome-based contracts, the use of consortiums and integrators, the role of head office in coordination and oversight, and the role of the Audit Office and the Independent Commission Against Corruption in oversight.

Mr KEVIN CONOLLY: Dr Waldersee, having read your agency's paper and looking at the primary recommendation to extend the purview of the Auditor-General to non-government organisations so that those organisations then become subject to the oversight of the Independent Commission Against Corruption as well, I am not trying to be an advocate for corruption opportunities or misappropriation but I am trying to weigh up whether there are downsides as well as upsides to that type of proposition for small and sometimes volunteer-based, and certainly not as professional and not a multinational type of entity that we are talking about. In thinking through the model that has been talked about today and on other occasions of the Department of Family and Community Services or Health purchasing services from non-government organisations, it is a purchase of service. If the department were to purchase 100,000 widgets they would pay money to the company and a service would be delivered. The only accountability would be the widgets delivered. In human services, I wonder whether it is equivalent to say that we really should just focus on the output. If you deliver the service your internal workings are no longer of interest to government provided that you deliver what the Government has paid for.

Dr WALDERSEE: First of all, just as a broad statement, we are one of the few jurisdictions that does not give Audit a right to follow the government money. That aside, to answer the specifics of your question, if it were a purchase of a service and nothing else then it would still come under the Independent Commission Against Corruption jurisdiction should that money have been obtained corruptly. If there was a conscious misleading of the Government when that money was obtained that would still be corruption and it would still fall under our jurisdiction. The question is whether it is a simple purchase, and that is not 100 per cent clear. During our research it has been called grants, contributions, deeds, performance agreements and actual procurement agreements.

Mr KEVIN CONOLLY: There is a variety of instruments.

Dr WALDERSEE: And they are all somewhat different. One of the most common languages we heard was that of partnership, so we see the government agency involved within the non-government organisation building capacity and so on. In a straight procurement that is not what would happen. If it is going to become a straight procurement and you can define the widget being bought then that is a path. I am not sure that we would capture the full nature of what is going on in the delivery of services. I think it misses some of the partnership arrangements that are there.

Mr KEVIN CONOLLY: I think you are probably right. As I said, there is a range of actual on-the-ground types of situations being set up, and some are simple one-off grants and others are much longer-term arrangements.

Dr WALDERSEE: Because it is not a real market with a real widget and the service outcomes are rarely clearly defined, you end up where there is a price competition to obtain the government money, and there

is a willingness often to bid low on that price knowing that further funding can be obtained from other agencies or other programs within the agencies or other levels of government that cough it up, and it starts to become very unclear what the government has paid for the service, because you do not know what inclines come from a council, you do not know what has come from other programs.

We saw numerous cases where there was funding coming from all over the place from slightly overlapping services and in the end it is very difficult to work out. But in a procurement arrangement, if I am buying computers I know if I pay Dell X dollars I get this many laptops. I know what the Government has spent, I know what the Government has got, so it is very hard to draw that exact parallel.

Mr KEVIN CONOLLY: In doing the work for this paper I presume you have investigated other jurisdictions and how they deal with this kind of development. Can you share some of the learning about that with us?

Dr WALDERSEE: The process we followed was initially to take the information from New South Wales and to analyse it. We started to see, based on our interviews and so on that there was a high centralisation, there were problems with information and departments were unable to effectively share information about price or performance of an NGO. So our internal analysis started to tell us that really part of the problem was the highly centralised decision process. As we then looked at other jurisdictions we noticed that, as you would be fully aware, in the UK and in England in particular they have gone a long way down this path of decentralising decision-making, empowering communities and so on. The problem is it is not a wonderfully comparable jurisdiction—it is bigger, it is physically more dense and so on.

What we were looking for were case studies of effective control of these decentralised arrangements that were subnational, similar size, Westminster system. So we ended up looking at Victoria and Scotland. Victoria does not really have remote areas as we have remote areas, but Scotland does. What we looked at there, in Scotland it shifted to a local government control system and in Victoria the State retains its control but integrates that, effectively, physically with the councils, so that the delivery areas now are the same in Victoria at the local level of human services. They are the two cases we looked at in-depth and in both cases we found, I think, essentially largely what we had already started to analyse in New South Wales. But what was reassuring was that we found very well functioning models of a decentralised control.

With my background as a professor of management my lifetime has been in business and the issue of controlling a decentralised operation is one that does keep CEOs awake at night—it is hard to do, and we think it is very dangerous to just give money out to the community and hope for the best. That would not be sensible. On the other hand, you do not want to retain it as a centralised system and you do not want compliance on the NGOs or the government agency. So we were looking for models where the information system, decision-making and so on seemed to work effectively for controlling such a decentralised model of delivery, and those two were the two that we felt were probably the best in terms of being comparable.

Mrs BARBARA PERRY: Dr Waldersee, I am aware that this is a position paper and as such it does not necessarily require government to respond. I did ask the Department of Health whether they responded and they indicated not. I guess the question I am really asking you is what is going to happen to your recommendations?

Dr WALDERSEE: There is today and this Committee. It was Dr Hammett that you asked?

Mrs BARBARA PERRY: It was Dr Hammett, yes.

Dr WALDERSEE: He might have forgotten that he and I are meeting in about a week at the request of the Minister to talk about how it is progressing. We have met with Minister Dominello about what is happening in Aboriginal Affairs.

Mrs BARBARA PERRY: It is Community Services—

Dr WALDERSEE: We are talking to Minister Goward's office. So we have got meetings with all these people lined up. They are just recommendations and we will, as much as possible, make the case for why we think they are worthwhile, but ultimately we would not and we do not bind government in this sort of case.

Dr MARX: Could I just add something? I think one of the things that we found is that this is not just a Family and Community Services thing or an Education thing or a Health thing; this is something that transcends, and there is often lack of coordination between them. To some extent this is going to require a whole-of-government response. You may have lead agencies and that sort of thing, and that is fine, but one of the reasons why perhaps you cannot expect Health or someone to give a formal response is that there is going to have to be some whole-of-government-level response to it.

Mrs BARBARA PERRY: I understand. So are you expecting some sort of formal government response or would you like to see some formal government response?

Dr WALDERSEE: When we put out position papers we do not usually get such a response. We put them out and government considers them and if they are sensible they will adopt what they want. But we tend to have ongoing discussion. We put out a procurement paper last year; there has been considerable change in procurement and we continue to talk with NSW Procurement about those changes. Before that I think with 3A planning we did a paper and continued to talk with them for a while following that. That is how these usually go.

Mrs BARBARA PERRY: In your paper I note that one of the things that you talk about is a concept of bundling. I guess that is aggregation of services, et cetera.

Dr WALDERSEE: Yes.

Mrs BARBARA PERRY: One of the things that we have heard, and I want to bring this to your attention, and it flows on from what Mr Conolly was talking about with you, is that going through the reform systems that are in place in the human services sector, one of the concerns is that small flexible organisations may miss out. I understand that from a business perspective, but this is human services delivery, which we can run as a business but we often cannot run as a business necessarily. Do you have any view, and when you were having discussions with stakeholders were you able to make any assessment of the impact of your recommendations, particularly around the bundling issues for smaller organisations?

Dr WALDERSEE: We did hear that comment quite frequently, particularly from NGO peak bodies. I would just like to clarify that what we are recommending in the bundling is not necessarily to close out opportunity for small NGOs but if they are bundled and there is a use of consortia or integrated or NGOs then these small ones are still involved in the package. That is what is happening in Victoria at the moment.

Mrs BARBARA PERRY: What about in Scotland? What is happening in Scotland around—

Dr WALDERSEE: That one I would have to take on notice.

Mrs BARBARA PERRY: Could you do that please? I also asked a question of Mr Hammett around discretionary funds for Ministers. It sort of fits within the purview of what you are looking at in a different way. I am just wondering if there is any view you might hold in relation to the way discretionary funds, in particularly Health or Community Services, might be dissipated by Ministers.

Dr WALDERSEE: A few people that we interviewed talked about a problem of ministerial funds occurring outside of the system often being directed outside of the planning and often without the department itself knowing who has got what. Our view is that that is not necessarily a good thing. I suppose it is that simple. The idea that there should be some discretion and that good ideas should be able to be funded quickly, I am not averse to; it is a sensible idea. We do recommend that the granting be separated from the funding of ongoing services, and that is for a couple of reasons. One of them is: If you think of the ongoing service more as buying a widget then there is an outcome that is specifiable, that is measurable, which is your point.

If you think of a grant like a medical grant or an Australian Research Council grant, it is quite different in terms of what you do, who gets the money and on what basis, and it is not necessarily an outcome. The idea may not work out. There is much more emphasis on the capacity of the organisation to handle the grants and how those grants are applied. So it is quite a different system. Western Australia has split off grants from ongoing funding; Victoria is of the view that grants are something to be avoided if possible but not completely ruled out.

Mrs BARBARA PERRY: Just coming back to smaller NGOs, I want to flesh out what we heard in the last few days that we have taken evidence. You talked about the Victoria experience. You would know that the Victorian NGO system has operated in a far different way from the way that the NGO system has operated historically here in New South Wales. Does that make any difference to your view or your answer that you gave me earlier about the idea of smaller NGOs being able to operate as a consortium in this State? Does that have any impact on your view?

Dr WALDERSEE: It is not just consortia; there are a number of options available for smaller NGOs to be working within the sector without it simply being giving money to people who may be so small they do not have the capacity to effectively manage the money, because sometimes we are down to three or five people. The idea of partnerships is already used in New South Wales: a small NGO will be partnered with a larger NGO. A formalised partnership wherein the larger NGO carries out the governance and financial side is something that has been floated.

Something we have been asked to advocate, not that we advocate but we are asked to advocate was in the west of the State, particularly in remote areas, that government regional offices of some sort provide, for a fee, essentially an administrative service so that the Government would manage the funds and the probity and so on, on behalf of the NGO, and the NGO would do this service delivery that it is set up to do. It is not a simple matter of consortia but consortia is one option.

Another option is the idea of an integrator; a large NGO does not deliver the service itself but is responsible for pulling together the smaller NGOs to deliver that service, which simplifies the interaction with government and allows government to bundle and say, "This is the outcome we want for this community. You are the integrator and you work it out." So there are a number of options other than simply consortia, I suppose, that we think can be considered. Consortia is one end and individual funding is another and there are a number of options in between.

Mr TONY ISSA: You mentioned earlier that a lot of smaller organisations handle funding from the Government and they are more likely to be corrupted because they are smaller organisations. Do you recommend that the smaller organisations work under the umbrella of a bigger organisation and be monitored by the bigger organisation to reduce the risk of corruption?

Dr WALDERSEE: That is a similar question to the earlier one. I do not want to imply that smaller NGOs are corrupt. There is a whole bunch of small NGOs and the vast majority are well intentioned and well managed with dedicated people. It is a small number amongst them who often do not have the skill base necessarily to run all the reporting, financing, finances and so on that are necessary and have treasurers to control cheque writing and all that. The idea of a large NGO is very similar to the idea of the integrator NGO, a lead NGO that is able to either in partnership or with some other contractual arrangement, handle the finances, et cetera, that are necessary for the governance of the small NGO. That is what we are advocating as an option.

Mr TONY ISSA: So you suggest that the small organisations have the ability to manage the funding before they can apply for it?

Dr WALDERSEE: No.

Mr TONY ISSA: They should have the resources and the skills?

Dr WALDERSEE: The small ones?

Mr TONY ISSA: Yes?

Dr WALDERSEE: No, the Victorian model advocates an accreditation system now—it is just starting—which is very, very strict. It requires independent assessment of NGO governance capacity and service capacity, including on-the-ground checks. From some of the place-based areas that we have looked at we do not believe a lot of our smaller NGOs would ever, at least in the foreseeable future, meet such terribly stringent requirements. Therefore, our position paper is that there should be lower levels of accreditation for smaller NGOs who may lack that capacity but that would allow them to work in concert with an integrator or lead agency or government support to deliver services but they could not continue the current system where we are providing assistance to them to help the small NGOs with their probity capacity at the same time as we are giving the money. Effectively we are saying, "You are not quite good enough to have the money but here's the

money anyway." I cannot see how you could justify that but to say you have to meet this very, very high standard before you get money would shut down the small NGO area and I do not think that is a good idea either. So we are looking at how can you have both.

Dr MARX: In some ways it is the line between having people deliver the services and manage the services. If we are giving the NGO money and saying, "Go deliver it", they are managing delivery of the service, perhaps with government oversight and so on, but they are doing it. However, what we are saying is maybe if they do not have the capacity from a financial governance perspective to manage it, it does not mean they do not have the technical skills to actually deliver the services, in which case we could perhaps accredit them at a level to deliver the services on the understanding and condition that another NGO with the capacity to manage it, managed it. It is kind of drawing this distinction between the ability to manage a distribution of funds to deliver services and merely deliver the services themselves.

Mr TONY ISSA: I am thinking that if those smaller NGOs were under a bigger umbrella, they could help them to manage that?

Dr WALDERSEE: Yes, and that umbrella could be a consortia, a lead NGO, a partnership or even a government business centre of some sort. These are all options that have been put forward. Our view is that a very strict accreditation based on what we saw happening in some of the place-based areas where they had put in very minimal accreditation, the NGOs had trouble meeting them. In one place-based area they tried this and of all the NGOs operating, only one ever met this minimal standard so a very high level of accreditation would be devastating to this area.

Mrs BARBARA PERRY: This is a follow-on question because you talked about some other method of contracting. You may have seen, particularly last year, issues with one agency, a big organisation in the Community Services sector in relation to fostering of children and a lot of subcontracting still goes on. I note your position paper does not really go into issues around the corruption risks of subcontracting—and that case related to the subcontracting of carers. This may be a question more for Mr Kinmond, but I am wondering about accountability in the arrangements you are proposing?

Dr WALDERSEE: Because of our jurisdiction, we really have had to restrict ourselves to corruption risks and we did not come across any evidence or statements that the subcontracting particularly was a corruption risk. That it is a service risk potentially, yes, and the Deputy Ombudsman is probably the person to answer that.

Mrs BARBARA PERRY: I appreciate that. It is definitely a service risk and it comes down to how you define corruption—

Dr WALDERSEE: It is.

Mrs BARBARA PERRY: —for the purposes of your position paper, which I am unclear about exactly.

Dr WALDERSEE: To be corrupt it would effectively have to somehow influence the Government to make a poor decision, I suppose, would be the easiest way to put it, whether it is from collusion within or misleading the Government but it is negatively affecting the decision of the Government.

CHAIR: To safeguard the integrity of the funding environment you mentioned earlier a government business centre as such. How would you see that set up?

Dr WALDERSEE: As I said, this was or probably still is, a very popular idea in the very remote areas and the general view appeared to be—this was put forward; we did not advocate it beyond the general idea—that government would have within its regions some financial expertise and so on already there and they would therefore be able to bring to bear an office that would essentially hold the funds or manage the funds on behalf of the NGO as needed, not in a paternalistic way but simply in a good governance way such as a finance department might run finances for a business.

CHAIR: Would it come under a local government area or a health boundary area?

Dr WALDERSEE: We did not get into those details. The general view—well, there was no general view; there was just a general concern that it would be helpful if government could do that. I cannot see why it could not be run by a department or a Premier and Cabinet regional office or local government. It all seems quite feasible to me because the expertise is in those bodies to essentially provide the corporate services for a very small NGO that otherwise does not have the capability.

CHAIR: Do you think that it could sit across the whole of government?

Dr WALDERSEE: I think that would be better and the reason I say that is otherwise you end up with, again, further fragmentation of any information about what is happening with funding in NGOs and service delivery.

CHAIR: Do you think it would be, in your words, a government business centre but could it also incorporate a tender gateway so that each department would have, say, the governance of the service in making sure those outcomes are being met but in terms of its financial accountability and safeguarding the integrity of the funding environment, this particular tender gateway office, location, department would take care to make sure that NGO 1 was not accessing funds from department A, B and C without knowing and the information sharing to avoid those pitfalls?

Dr WALDERSEE: In a whole-of-government business centre—and this is not a scenario we looked at—as you describe you would be getting very close to the information system that we were describing where all knowledge of the financial dealings between government and the NGOs would be known at a single point or able to be pulled together. That in and of itself is essential ultimately otherwise you will not know ever who has funded what and how much things cost in the end. The idea of a government business centre was raised really in the context of very remote areas where there are very small NGOs delivering services. That was the context. The idea that it runs across all of government was never floated with us and we never examined such an idea.

CHAIR: A small NGO that we visited in Narrabri said that its administration costs almost took its budget out of play?

Dr WALDERSEE: That does not surprise me. The administrative costs are not driven necessarily by having reasonable probity, although if you are a very small operation and you have to hire a treasurer or finance person, you will blow most of your budget on that but when you have to put in a financial return and demonstrate probity to every single funding channel that comes to you, and you may have 10 of them, that can really start to blow your budget to pieces and so the complaints we heard were not so much that we have to have basic corporate services in place; it was more the reporting over and over and over on each small piece of money, so we looked at one after-school care operation that had some 11, was it?

Dr MARX: It was a neighbourhood centre and basically, depending on how you counted it, there was anywhere from 11 to 15 sources.

CHAIR: Of income?

Dr MARX: Yes. There were multiple State governments, there were multiple local governments, there was Federal, there was NGO funding—the other NGO had received funding and basically most of it seemed to be of a one-year, maybe two-year nature. There were circumstances where, for instance, the holiday care program was funded separately to the after-care school program and the funders were different. Basically I thought to myself at the time: It would be a nightmare trying to manage that because you would have to return to this one—we have done this, we have done that one. When you look at it from their perspective—they have published stuff on their website about this—the NGOs themselves viewed after-hours care as one program. They viewed it as, "We are providing to the community out-of-school care" but the way the Government saw it was that it was providing some after-hours care, providing some holiday care and it was completely fragmented. We went around and spoke to the various departments, councils and stuff. Most of them were not really sure what exactly they were funding. "We are sort of contributing to this" but they could not really go beyond that level of detail.

Dr WALDERSEE: And this was for a recurring budget of around \$600,000.

Ms PARTER: Yes, I think it was \$1 million, with \$600,000 in grants and about \$400,000 in fees.

Dr WALDERSEE: So if you start having to do individualised returns on every one of these, you can quickly see your \$600,000 gone. More broadly, the ability to get this together into a single contract with the NGO and have the NGO either capable themselves of managing the \$600,000 or in a single office have it managed for them; there is a lot to be said for that, but just the single office alone does not stop the problem coming from the huge number of sources for relatively small amounts of money. It is annual money and so it creates this constant seeking of new money, which is not a productive use of their resources either.

Mr KEVIN CONOLLY: I think Hawkesbury council might provide a model of something that you are talking about. They provide the back-end service to a number of NGOs funded by a range of State and Federal government departments. Whether they do everything you are talking about I am not sure, but I know they provide the office end for a number of those outfits so that they can get on and do their job.

The question I wanted to ask is about your recommendation in relation to unit pricing. If I understand it correctly, you propose that government sets a standard price and then tenderers tell us how much service they can provide for that price, rather than us asking for a service and people come and tell us how much it is going to cost. Have I got that right, and why would you propose it that way?

Dr WALDERSEE: There are a couple of reasons we propose it that way. One is that one of the goals of government using NGOs as a mode of delivery was to achieve innovation in service. If you highly specify the service and have competition on price then you are still relying on the government to come up with the innovation. The logic of unit pricing is that if the government says this is what we are willing to pay, such as Medicare says we will pay this much for a consultation with a GP, it is then up to the GP to solve the best way of dealing with the customer within that price. You as a customer will then shop for the best GP. The innovation is within a bounded price set by government.

The model is not crazy. It is the Medicare model to some extent, and it is also the path Victoria has gone down. We talked at some length about that, because in the absence of innovation much of the benefit of the NGO model is lost. Part of the reason for the NGO approach to delivery is innovative services. If government is specifying the services up-front then you are still relying on government to be innovative and the NGO simply to be a lowest-cost provider of that specification. Our understanding is that is not the goal of what is happening. In the Victorian model they do this. They will say that long-term sexual abuse refuge is x dollars, short term is x dollars. Then at various times—they do not call it tendering, they call it submissions but it is effectively the same thing—they will ask all the potential suppliers to come up and say that given those dollars what would you do to deal with this problem? That is where the innovation comes.

As we looked at it down there, they were initially less risk averse and so they would take some fairly out there sort of ideas and quite innovative ideas. By their own admission they have become more conservative over time, because ultimately you cannot experiment on people's lives to too much of an extent. You want innovation but you do not want to carry too much risk, because these are people. They have become somewhat more conservative but it is a balance now in that there are innovative ideas put forward but the government sort of tempers the risk or moderates the risk associated with that innovation and the price is fixed. To some extent we have done that here with the out-of-home care that has become unit priced. There is no reason only that can be unit priced. The way they have done it is they have finance experts within the department, who understand the cost structures and capabilities of the NGO sector. They have really done it with an understanding of how the industry works. It does not mean they are popular prices, but they are done with that basis.

Mr KEVIN CONOLLY: Does the logic work in a market that has very few players, as remote areas might have?

Dr WALDERSEE: To some extent less so and one of the advantages as we understand of having finance people from head office into regions is that they are in a better position to understand the cost impost on the NGOs in the remote areas and make the appropriate adjustments.

Mr KEVIN CONOLLY: And the price can be different?

Dr WALDERSEE: Yes. The second reason why we are recommending the fixed price with the bidding on innovation is that at the moment, because there are so many funding channels for the one service—whether it is from council multiple programs, Commonwealth, State—you end up with an underbidding to get the work and then a second round of funding from some other agency or council or other program. Then you end up back into this world of you do not quite know how many people are funding what and what they are

ultimately paying for. The services being funded maybe by council overlap with that being funded by the State but they are not quite the same. The government quickly loses any control over what exactly has it bought for how much. On this basis it is quite clear what they have bought for how much.

Mrs BARBARA PERRY: On the unit price in out-of-home care, you would agree that the transparency has got to work both ways. As well as the government agency setting the unit price it also has to be transparent. In out-of-home care, just for your knowledge, today we heard evidence that what was not factored into the price was the issue of NGOs having to do restoration work of putting children back into families. One of the responses given to me about that from Maree Walk was that it is important that the transparency in that unit price is clear—what is it that government is seeking, what is it that government is going to pay for? I do not know if you would agree, going back to have a look at unit pricing that was done, that there can be some recommendations, while you are going out talking to different government agencies around better transparency, about what is part of that price?

Dr WALDERSEE: We are recommending unit pricing on specifics, but the overall outcome is separate to that. To take the sexual abuse model, the overall outcome may be a 10 per cent reduction in sexual abuse. Within that the government might say that a priority is that we are funding long-term places for the next three years and we will have some short-term counselling. Each of them would be unit priced, but the overall outcome would be obviously not in this case necessarily getting the family reunited but it would be something else overarching. I do not know if that quite answers your question, but the broader goal would be understood in terms of the outcome and so the specifics of the out-of-home care for the child are within the context of the outcome being sought.

Mrs BARBARA PERRY: I understand that, but to get to that outcome it comes back to your point about underbidding. If you are not up-front as a government as to what is required in that, particularly in out-of-home care where you are divesting a department of doing that work originally and what is required, then in effect it is almost tantamount to underbidding. By not being transparent about what is required you are actually fixing a unit price which does not meet the work that is required. Therefore organisations applying for that are getting less or underbidding effectively for what is required to be done.

Dr WALDERSEE: I could not object to the idea that government would lay out clearly what it expects. You could not complain about that.

Mrs BARBARA PERRY: There is an assumption that non-government organisations would be local, from New South Wales primarily, but you would be aware that in the out-of-home care sector we have now got for-profits coming in from interstate. They are large business enterprises I would say, in fairness to them. Are you advocating as part of prevention and trying to minimise corruption risks, et cetera, that local is better?

Dr WALDERSEE: Not necessarily. It gets difficult to control what is really literally on the edges as well as metaphorically, which is around the border regions where people are taking funding from both sides of the border, which is quite common. But we were not, I do not think, suggesting local is better or worse. We do suggest in the accreditation section that were our accreditation systems to be harmonised across other States it would reduce red tape for those NGOs and now for-profits, as you point out, that operate across those jurisdictions. It would also probably increase the information flow across jurisdictions about performance and so on. But I do not think we have a bias for or against local. No doubt, as we have been told many times, local has benefits in terms of local knowledge. The large ones would often have benefit in terms of the various scale benefits, whether it is the ability to quickly relocate people into remote areas or to bring to bear corporate accounting systems. When I say one is better than the other, they each have benefits.

CHAIR: What do you consider to be the most valuable lesson learnt from your investigations?

Dr WALDERSEE: I suppose the most important lesson is that without a decent information system that runs across agencies and is accessible to the front line as well as head office control will fall apart. That has to be the single biggest point that came out of this. People do not know who is funding what or what is being delivered. There is tacit knowledge and expert judgements that are not captured in information systems, enormous local complexity that cannot be captured easily under the current ways of reporting. Without the information I think the Government is in a very difficult position.

CHAIR: Dr Waldersee, thank you for your time. Dr Marx, we appreciate your time as well. The information you have provided has been enlightening, as was your report, which our Committee members have read back to back and have gleaned a lot of information from.

(The witnesses withdrew)

STEVEN JOHN KINMOND, Deputy Ombudsman, Community and Disability Services, NSW Ombudsman, affirmed and examined:

CHAIR: Can you confirm that you have received a copy of the Committee's terms of reference and information about the examination of witnesses?

Mr KINMOND: Yes.

CHAIR: Do you have any questions about these procedures?

Mr KINMOND: No.

CHAIR: In what capacity are you appearing today?

Mr KINMOND: As Deputy Ombudsman and Community and Disability Services Commissioner.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege. You are protected from legal or administrative action that might otherwise result in relation to the information you provide. I also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today, the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and may be made public. Would you be happy to provide a written reply to any further questions?

Mr KINMOND: Certainly.

CHAIR: Would you like to make a brief opening statement?

Mr KINMOND: I would like to make a couple of comments. What I turned my mind to in coming today are some of the key areas of work that our office has done which are relevant to your current inquiry. What I will do is briefly outline those four areas. I will not go into the details as to what we have covered and if the Committee wishes me then to go through each of those areas in turn. I have a brief statement in relation to each area if that would assist.

The first relates to our work in promoting the establishment of a baseline probity checking system relating to potential employees of funded organisations. So it is the probity checking side of the issue. Second is our work in promoting the benefits of developing a system for the reporting and independent oversight of serious incidents in connection with particular areas of disability service provision. The Committee would already be aware that in relation to serious incidents in relation to child-related employment, there is already a system in place, so we have been doing some work on promoting a system in the disability area for particular client circumstances.

Third is our work in promoting the establishment of a uniform complaints system across the government operated and funded human services sector. I believe that there has been some discussion before this Committee about the importance of a complaints system and some of the work that has been done on that issue. The final one relates to some of our observations from our extensive work with Aboriginal communities in relation to the need for effective and efficient place-based service delivery, particularly in relation to high-needs Aboriginal communities. So they are four areas that we have had a look at in terms of where we have done some significant work over recent years. I am happy to go into some details briefly in relation to any of those areas but I am obviously in the hands of the Committee.

Mrs BARBARA PERRY: Before we go any further, can we establish points two and three about disability and the uniform complaints system?

CHAIR: We will come back to that. I take you to point four.

Mr KINMOND: I will make a brief statement to provide some context. Our work over a number of years examining the delivery of community services to Aboriginal communities—when I say "a number of years" I mean about 15 years of work in this area—highlights the challenges in providing an efficient service system, particularly to high needs rural and remote communities. We found that the system is often poorly

integrated and inefficient. I think the point was made this morning that sometimes when one asks the question as to how many services are being funded in some of these communities, it can take some months before those results are established. Even small communities like Wilcannia can have a large number of services being funded and no clear integration of services and no systematic way of determining funding.

The consequences include a failure to identify and meet the needs of those most vulnerable and the continued funding of government and non-government programs and initiatives that fail to provide a good return on investment. For example, we did some extensive work in terms of examining the most vulnerable young people in two particular communities over the last couple of years and we identified 48 children. Obviously we linked those children to their families, and we found that of the 48 children that we identified, who would all be deemed to be very at risk children, only 13 children or their families had received any case management support despite significant investment in a number of different initiatives in these communities that were designed to meet the most vulnerable, for example, our Brighter Futures program, the Safe Families program, the intensive family-based service.

To illustrate this issue of poor return on investment, which is a matter in terms of non-government service provision, we also have drawn attention to the Safe Families program, which was operating in five communities in the western region—a \$22.9 million program. At the point in time that we looked at it—and the program only had 12 months to run—on a \$22.9 million program which had a case management component as part of it, it had only provided support at the time we looked at it to eight families, despite the program, as I said, having been in its final year of operation.

CHAIR: Did you say \$22.9 million?

Mr KINMOND: The program over a five-year period; it was in its final year of operation and it was providing support to eight families at the time we looked at it. We believe there needs to be a more disciplined approach to planning, funding and the delivery of a more efficient and integrated system, particularly in high needs communities. This needs to be driven by a whole-of-community approach and include all relevant State, Federal and local government agencies working in partnership with non-government and community leaders. These are not decisions that can be made from central office. In our recent report on responding to Aboriginal child sexual assault, a 300-page report, we recommended that DPC and other stakeholders develop and implement a strategy for delivering place-based planning and service delivery in a number of high needs communities and we understand that the Government is currently considering its response to that report.

Through our broader child protection work, we have been arguing for some time that a place-based response needs to be coupled with—this relates to Dr Waldersee's point—improved collection and analysis of local specific demographic and other social and economic data. We have also argued for an intelligence driven approach to child protection, given the overwhelming evidence that a relatively small number of children and families represent those where the need is most acute. We have also argued that it is on the platform of improved data that we should then sit down with community leaders and the non-government sector to determine which services are most needed to target the areas in need.

Finally, we have argued for a system of improved performance reporting that is based on actual results. I notice that much of the evidence that has come before the Committee has emphasised the importance of not just measuring inputs and outputs but also seeking to ascertain outcomes. We believe that in terms of outcomes one needs to look at it in terms of overall impact for local communities as well as service users, and there needs to be some openness and transparency at the community level in terms of what those results tell us. In relation to this issue, FACS has been working with the Bourke Aboriginal working party to address community concerns about service inefficiency and develop an annual report card for reporting back to the community. We think this is an important initiative. In fact, there is a meeting today; Mike Allen, head of housing, is with the working party at Bourke with representatives from my office to look at this particular issue as to improved measurement of performance in terms of outcomes delivered by services. So we hope that this is the beginning of some further work that will need to be done around the move towards a genuine, efficient place-based service delivery response.

Mrs BARBARA PERRY: I understand the work around point three about a uniform complaints system. Can you flesh that out about where you are at with that? Is it possible across human services to have a uniform complaints system, given the diversity of work that is done across the human services system? Before you get into that, I want to preface this: It has been my view that there is a gap in the complaints mechanisms. I will let you talk first and then I will talk to you about the gap in the complaints mechanisms.

Mr KINMOND: Subject to the warning, I will do my best. It was interesting. I have been meeting with various disability commissioners, people who hold like positions to mine, from across the country, and I was struck by the Victorian system in the disability field. It is an excellent system whereby the Victorian Disability Commissioner—under the legislation, all disability service providers are required to provide to him annual returns in terms of their complaint handling practice and around the numbers of complaints received, outcomes and the like. Laurie Harkin, the commissioner, has used that as a platform to build an IT system in the disability field. We had a look at the IT system some time ago. I was quite impressed by it, so as a result thought, rather than reinvent the wheel here in New South Wales, we should look at the viability of rolling out the Victorian IT system in New South Wales. I am pleased to say that Family and Community Services has been very responsive to that suggestion. They had Laurie come up and do a presentation of his information system, which I might add was listed as a finalist in terms of the Australian Research Council in terms of the quality of the product. Laurie presented the system in terms of its operation, and I understand that only recently an agreement has been reached around intellectual property rights.

So we are in a position where the potential for the rollout of that system in New South Wales, initially in the disability field, certainly exists and my hope would be that in the next 12 to 18 months we begin to see some results in that regard. Related to your question about the potential for such a system to have broader applicability, my response would be that subject to the system being customised I cannot see why it could not have broader applicability. Under my legislation, I am responsible for reviewing the complaint systems of services in the community services area that represents Community Services, ADAHC and services funded by the Ministers for those agencies. One becomes a little bit tired of looking at service after service and making the same point over and over again. It seems to me that it would be highly efficient to have a standardised uniform IT system so that we set the standards, together with appropriate guidelines, so that in five years time we are not talking about a patchy system in terms of complaints but we are confident that we have a degree of uniformity and a degree of quality in that area.

Mrs BARBARA PERRY: I understand where you are coming from in relation to that but here lies my concern. It is at two levels. One is you can have an intelligence-based system effectively; it is how that intelligence-based system is used to oversight. So you are relying on the information that is coming in from the NGO providers, whoever it is. That is the first thing, and that leads me onto the second thing, which is that the problem at the beginning is not necessarily not knowing. The problem is not knowing often but it is also how it is investigated. My experience has been that the internal investigation happens by the NGO that delivers the services which says that it has another arm that will look at what has happened and what the complaint is all about or the incident that has happened. Then there is you, the Ombudsman, at the other end.

My concern is that your role is limited to some extent as well because if you are complained to first, you pass that complaint back to the service provider to internally look at it. My concern is that whatever system we have there is a gap. The complaint is initially looked at by the provider internally and that does not give, from my perspective, or from the consumer's perspective, or from a child's perspective, some guarantee that that complaint has been looked at properly or dealt with properly. I think Cummins himself in the Victorian commission's report identified that gap as well and indicated there needs to be an external body which can look at those complaints. Given particularly that we are moving into this new paradigm of reform of NGOs, do you have a comment?

Mr KINMOND: Yes, I do. In terms of intelligence and compliance as a useful intelligence source, my particular view is that complaint trends can be a useful intelligence source. One should not overstate their importance but there are occasions where they can be extremely valuable indicators that one ought to look further. One of the features of the Victorian system is the reporting capacity of the IT system that has been developed in Victoria. That was one of the things that impressed me the most—the ability to, essentially, crunch the numbers in a range of ways to see what it might tell you about potential trends and performance.

On the issue of the importance of independent oversight, having spent a number of years in this business, my mind goes back to the Wood royal commission, when it had before it daily revelations of police corruption. One might have expected Justice Wood, against the background of those revelations, to move towards a system where local police management had less responsibility rather than greater responsibility. Instead, and on the back of very solid management advice, he moved away from a centralised system within the police to handle these matters to a decentralised system, but it was coupled with accountability. My view is that the benefit of a streamlined, efficient service system is that it is consistent with the notion of a person-centred

approach to service delivery. Where people ought to be getting a good response is at the coalface. Organisations ought to demonstrate their commitment to resolving grievances.

But your point is well made. That is what ought to happen. There is a need to ascertain whether it is happening. In that regard, once again I think the approach that Wood took following the Wood royal commission was to say we will give responsibility at the coalface to commanders to deal with issues of professionalism in the ranks but we will enhance the capacity of the oversight system. For example, intrastate we do not have all complaints being reported on a centralised information system to a body such as mine with the ability to scrutinise those complaints and look at trends. My argument would be that if you had such a system there would be the opportunity to scrutinise individual complaints systems where risks would be evident. What one would be testing is whether there is a commitment by local service providers to providing appropriate grievance mechanisms at the coalface. I trust that answers the question.

Mrs BARBARA PERRY: Yes, it does. It is an excellent answer. Secondly, I think I asked a question of Dr Waldersee earlier around subcontracting, which is still happening, and you know what I was referring to, which was quite high profile and a number of articles were written about it. I suppose in part your answer to when intelligence-based system giving you some information helps that but there is nothing better than on-the-ground checking on these things. Do you have a comment?

Mr KINMOND: Yes. I think if one were to look at the example you were referring to, contracting in and of itself is not a problem provided you can guarantee quality and that there is no compromise in probity. The particular issue that arose in the context of the arrangement to which you are referring was that there was a benefit to the individuals who recruited extra carers so that there was a profit incentive in it for them. The potential conflict was that the more people they recruited to be carers the more money they made. I have no problem with people making money provided it is not at the expense of children's welfare. The question was whether in this system that rewarded people for recruiting carers there was a compromise in the quality of the people who were recruited to act as carers. There was an inherent conflict of interest. The organisation has recognised that and that arrangement no longer applies, as I understand it.

CHAIR: In relation to the rural and remote locations, the submission recommends a needs analysis and integrated service delivery. Do you think additional funding should be provided to acknowledge remote area disadvantage?

Mr KINMOND: I think the first point we would make is that we have been struck over the years by the fact that a number of these areas receive significant amounts of funding. The point I think we would make consistently in reports is that first of all it is important to make sure we are getting a good return on investment. Having said that, there has been a chronic problem in relation to the recruitment of high-quality staff to these locations. Subject to financial incentives leading to an increased number of staff or the filling of positions and also quality staff as well, one ought to consider financial incentives to attract high-quality staff. Let me emphasise again, we are not coming from the perspective that when you look at the total amount of funds going into these communities it is a matter where there has been neglect on the funding front; our contention is there has been inefficiency in relation to the funds that have been provided.

CHAIR: What about a star rating system for NGOs? What are your thoughts on that?

Mr KINMOND: It depends on the star rating system. A star rating system linked to a specific program area would seem to make sense. I would have to see the details before I could make any observation about the value of a generic star rating system.

Mr KEVIN CONOLLY: If I could follow up a couple of threads you have raised. Am I reading your words correctly that you are saying you feel there are some locations in the State where probably lots of money has been thrown at issues and not very effectively?

Mr KINMOND: I think that would be an accurate assessment.

Mr KEVIN CONOLLY: So the real challenge is to find out how to make those dollars have more impact?

Mr KINMOND: That is right, and that is not just a matter of looking at the State Government but also having a look at what money local government might be spending, and the Federal Government.

Mr KEVIN CONOLLY: The other comment I found intriguing was that you said you wanted to support an intelligence-driven approach to child protection. Could you elaborate on what you mean by that?

Mr KINMOND: Just to give one illustration; a number of years ago Community Services did some excellent work having a look at the risk of harm reports that they were receiving. If I mislead the Committee on this it will not be intentional but I will do my best to recall numbers. My memory is there were about 240,000 reports they were receiving at the time—risk of harm reports, child protection reports. That represented about 60,000-odd families being reported each year. One would then tend to think that is a significant number of families. When you break it down further, the top 10 per cent, or it might have been 11 per cent—I do not know why it is 11 per cent—of families that were being reported were generating about 50 per cent of the reports. It seems to me that common sense would say that we need to know who are those families who were generating a massive number of reports in the system?

In addition, we need to know the children in these local who are missing 50 or more days of schooling. You might ask why have you chosen 50 or more days. It is because that is what we looked at when we looked at these two communities. When we identified those 48 children we were surprised as to the number of children in those two communities—and these were rural communities—who were missing 50 or more days of schooling. I would also argue in addition to that that we need to be looking at and have a good understanding of those children who, at a relatively young age, are regularly coming to the attention of police because they are on the street. In addition to that, as this Committee would be well aware, there is certain critical health information that could be assessed to determine those families and children who stand out as being most vulnerable.

Our view is that if you aggregate that information, that will give you a very solid basis upon which to make determinations about those families who are most at risk and then it is not a very difficult exercise to look at the extent to which the service system is interfacing with those families—and when I say service system I do not mean just specialist services, I also mean the universal service system—and from there one can ask some fundamental questions about the effectiveness of the service system.

Mr KEVIN CONOLLY: Many of those points of data you mentioned—days off school and the number of reports and so on—are quite easy to measure. They are quite readily gathered and looked at, yet it is your view that they are not being used in that way?

Mr KINMOND: As our 300-page report on Aboriginal child sexual assault shows, that type of data is not being collected and analysed to the degree it should be. I think there is growing recognition that this is the direction we need to head in, and my understanding is significant discussions have been taking place across agencies as to not only what sort of information should be captured but also how best to capture it. Of course, it is one thing to have information; the next issue is making decisions about that information and feeding it in in an operational sense.

Mr KEVIN CONOLLY: Can I take you to the first point of the four you raised at the start—baseline probity check for all employees of NGOs? Why would we need to do that with all employees of NGOs if we do not do it with all of our government employees in these departments?

Mr KINMOND: I think we should be doing it for all government employees in the departments. I imagine that was the answer you expected.

Mr KEVIN CONOLLY: I was just curious. What sort of check would you be doing? What would you be looking for?

Mr KINMOND: That is a very good question. We have said, obviously, criminal record checks. One would tend to think—it is 2013—that is not a particularly earthshattering thing to say, but only a few years ago one could not guarantee that across the whole funded sector in the human services area there were even 100 per cent criminal record checks.

Mr KEVIN CONOLLY: I come from an education background and I am familiar with criminal record checks of relevance to the field of employment. Some things would be considered as not to be disclosed, because they were not relevant to child-related employment. That is why I specifically asked what would you be looking for?

Mr KINMOND: In the child-related employment area one would obviously be looking for people who have been charged with certain sexual offences, certain crimes of violence. One would also look for those where substance abuse issues are in place. One would probably look at other relevant criminal convictions that suggested a general probity issue in relation to the affected individual.

Mr KEVIN CONOLLY: How far do we go before there is a real privacy impact and an impediment to people rebuilding their lives after an earlier mistake?

Mr KINMOND: That is a good question, and we made it very clear in our report, the fact that a person has a criminal record in and of itself ought not to exclude the person from employment. In our report we emphasise the importance of there being appropriate standards relating to appropriate risk management assessment, and consistency in relation to the very issue you are referring to. We do not want a situation where a person early in life, or it might be a little later in life, makes an error of judgement, learns from that and could provide a very valuable contribution in the human services area but is excluded because of that earlier error. I fully support your point.

CHAIR: In relation to the IT systems that the Victorian jurisdiction has looked at and implemented and in relation to the complaints management system, could that incorporate a raft of areas, including funding, to get some clarity and to protect and safeguard the funding environment?

Mr KINMOND: This is about using information systems more generally and aggregating information. I think so. ICAC's recommendation in that regard is interesting, the concept of an information system from which one could glean useful information about funded agencies.

CHAIR: Certainly, not in a public arena but in an environment where it would be secure, so to speak?

Mr KINMOND: I think so but there are others who would be better placed to comment on the practical viability of that. One of the challenges is that you can collect a whole lot of information. The next issue is: Can you put that information together in such a fashion that you can glean meaningful information from it and be able to conduct effective analysis? Consistent with Dr Waldersee's approach, I support the need to look at what kind of data we capture to enable us to make more informed decisions, not just about individual services but about service outcomes generally.

I think there are a number of experts in the human services area that would need to be consulted about what would be the critical information that could be captured that would provide the most value. I just present a word of caution in that regard. I would also say that we have been strong in terms of local data. In terms of using data applicable to an agency more generally, that is one thing. We have strongly emphasised the need for really good systems for capturing local data around performance and outcomes and we think that can be done and does not need to be overly complicated.

Mrs BARBARA PERRY: In the context of transition from government to NGOs, I think what you are saying about intelligence capture is important but that is going to require good computer systems from the NGOs as well. Technology is going to be important but would you agree that funding would have to be looked at to ensure that the NGOs are capable of having a system that will provide the data that is needed? Do you agree that that is the first thing to be looked at?

Mr KINMOND: I think the issue of a necessary IT platform would need to be looked at and I think it relates back to the earlier point made by Dr Waldersee. Whether that is something that is provided to the NGOs by government or whether it is something that individual NGOs are required to develop would need to be looked at.

Mrs BARBARA PERRY: I agree. It would only be as good as, not only the information put in, but the systems that are available to input the information. The second thing is that a star rating was raised with you. I would like to flesh that out. It is something we took a lot of evidence on in the first part of the inquiry, which you would have read, I take it.

Mr KINMOND: I have read some of the information.

Mrs BARBARA PERRY: Given your experience, what would you caution against if a star rating system were recommended by this Committee? Would you caution against it and, if so, why? What would you see as the disadvantages in such a system?

Mr KINMOND: The extent to which a star ratings system was deemed to have broad applicability. One can identify services that provide an excellent quality of service provision in a particular context and this relates, I think, to some of the comments that were made earlier about the non-government organisations and small non-government organisations in particular. You can have excellent small boutique organisations providing high-quality service. If they were to be subjected to a star rating system, which I do not oppose, one would need to make sure that that system was not unfairly judging their performance and that system was not unfairly failing to see what they do well. My difficulty with it is that the devil would be in the detail as to how it was designed.

Mrs BARBARA PERRY: With the reforms, have we moved past a star rating system?

Mr KINMOND: It depends on the star rating system.

Mrs BARBARA PERRY: I am not in government but as a community would it be better to invest in what you are proposing and maybe add some things on?

Mr KINMOND: The difficulty is that I like to look at the details and in the absence of the details my response would really amount to speculation. I would have to look at the details to see in what context it was being applied.

CHAIR: We appreciate your time and effort in appearing today and responding on 4 May when you made a submission to us and talked about some of the reports back that you compiled in 2010 at your Bourke and Brewarrina inquiry. You have provided valuable input into what we are trying to achieve.

(The witness withdrew)

PETER ROGER SHERGOLD, affirmed and examined:

CHAIR: Good afternoon, Professor Shergold.

Professor SHERGOLD: Good afternoon.

CHAIR: Thank you for appearing before the Committee today. Will you confirm that you have received a copy of the Committee's terms of reference and information regarding the examination of witnesses?

Professor SHERGOLD: Yes, I have.

CHAIR: Do you have any questions concerning those procedures?

Professor SHERGOLD: No. I understand them, thank you.

CHAIR: For the *Hansard* record, will you state in what capacity you are appearing today?

Professor SHERGOLD: I am appearing as a private citizen.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and may be made public. Would you be happy to provide a written reply to any further questions?

Professor SHERGOLD: I would indeed.

CHAIR: Before we proceed with questions would you like to make a brief opening statement of not more than five minutes?

Professor SHERGOLD: I would be happy just to give my background and why I am appearing before you as a private citizen.

CHAIR: Excellent. Please proceed.

Professor SHERGOLD: Until five years ago I was a senior member of the Australian public service for 20 years. During that time I was the secretary of a number of departments, including in particular, with regard to this Committee, the Department of Employment, Workplace Relations and Small Business. In that capacity I had the responsibility for overseeing the early years of Job Network, including having the responsibility for decision-making on the second contract of Job Network, which has now of course become Job Services Australia. Since leaving the public service five years ago I have continued to have a very great interest in public administration and in particular in the relationship between governments, their public sector agencies and the not-for-profit sector and how stronger partnerships can be built in order to improve the standards of governance.

In New South Wales I served on the economic audit and I am now the Chair of the Public Service Commission's Advisory Board. I have also chaired something called the Partnership Forum in Western Australia, which brings together the 10 key directors general of government departments with an equal number of chief executive officers of the key not-for-profit organisations delivering government services. I have done that for the last three years. I am also undertaking in Victoria for Minister Mary Wooldridge a study with the not-for-profit sector in looking at how the community services sector can be reformed. That is the basis on which I hope my evidence may provide some assistance.

CHAIR: I am certain that it will. I sincerely appreciate your backgrounding on that.

Mr KEVIN CONOLLY: Professor Shergold, in a recent article you claimed that governments are contracting out to non-government sector organisations in a way that is seeing those non-government

organisations subsidise government operations by up to 30 per cent. I would like you to elaborate on how you come to that conclusion and where you see that taking us.

Professor SHERGOLD: Yes. Let me just wind back for 25 years since I first started as a public servant until now. I think it is fair to say that both at the Commonwealth and State levels 25 years ago not-for-profit organisations—including, but not just, the charities—often received support from government. In general the financial support governments gave tended to be in the nature of grants. It was when governments thought that the work being undertaken by not-for-profit organisations was in the public interest and that a grant would help to subsidise what they did. What has happened, really beneath the public radar I believe, is that the nature of that relationship has significantly shifted. Overall, not-for-profit organisations receive far more funding from governments than they did a generation ago, but increasingly the form of that funding has moved from grants to contracts.

Instead of not-for-profit organisations being given government subsidies to undertake their business in the public interest they are now increasingly being commissioned to deliver government services, and that is a profound difference. The trouble is that the contractual arrangements that are often struck between governments (and their public services) and not-for-profit organisations often do not fully comprehend the way that relationship has changed. One of the things that has happened, of course, is that most not-for-profit organisations that tender to deliver human or community services for government do so because it meets their mission. They have a mission and they believe that delivering government services to some extent helps to address that. For that reason they are often in a position where they undertake activities often with, as we know, lowly paid community workers or by using volunteers, and often with the support of philanthropists or benefactors.

The difficulty then is that sometimes the contracts are struck at a level where the effect, if not the intention, is that the not-for-profit organisation can end up subsidising government services. The statistic you talked about came from a piece of work undertaken when I served on the Economic Audit Committee in Western Australia. Many of the not-for-profit organisations were arguing that in delivering community and disability services they were not being paid the full costs of delivery. We wanted to see if that was correct. PriceWaterhouseCoopers (PwC) undertook the study for us, and it was out of that that it was seen that in many instances the level of payment being received could be up to 30 per cent less than the full cost of delivery. To some extent that is now being addressed both by individual governments—for example, Western Australia through the budget is providing two very significant increases to the not-for-profit sector of 15 per cent and 10 per cent—but also governments together responding to the outcomes of the Fair Work Australia case on the social and community workers award. That of course will mean that those low-paid workers who are working for not-for-profit organisations will be paid higher award rates.

Mr KEVIN CONOLLY: Today I put a similar question to a couple of other witnesses about the pricing of non-government organisation services and I got the impression that, as far as the New South Wales Government can tell, we are not having that cross-subsidisation occur. For example, I put that question to one of the representatives of the department who indicated that in some areas government services are actually costing more than non-government services but in another field it is the other way round in terms of disability support. The Government is spending more and vice versa, so it was horses for courses in his view. Is there any way of knowing if that is still the case in New South Wales and whether that test would hold?

Professor SHERGOLD: No, I do not think so. Look, it is fair to say that no not-for-profit organisation is forced to accept a contract. If you do not think the pricing is right, you do not accept the contract. Initially, and I think of the early days of Job Network in this regard, it is true that some not-for-profit organisations actually had never properly assessed the full cost of delivering outcomes or outputs. It is fair to say that most of those large organisations that today receive the bulk of government funding are now very well organised businesses and have a far greater understanding of what the real costs are. But one of the difficulties in this sector is to the extent that you create a competitive market. In other words, you go to market and a range of not-for-profit organisations, or not-for-profit organisations and private providers, put in for a contract. We are working in a sector that has relatively low entry costs. What I mean by that is that it is relatively easy to set up a new not-for-profit organisation.

In that sector it therefore often is the case that small and newer organisations may, perhaps unintentionally, serve to undercut the sector in working out what are the real costs of delivery. The second thing, if I may say so, which is important is that it is necessary to understand the difference between a grant and a contract. If a not-for-profit organisation agrees to deliver processes, outputs or outcomes for a particular price

and then is able to do so and make a surplus from doing so it should be entitled to keep the surplus to go towards its mission activities. Very often you have the somewhat bizarre situation where if the not-for-profit organisation does not spend the full amount of money on the delivery of the services to which it is contracted it can be asked to return those funds. That seems to me quite wrong. Just as it is the case that some not-for-profit organisations may mistakenly under-price the services they deliver and bear the consequences, if they price them right and are able to make a surplus they should be able to retain it.

Mr KEVIN CONOLLY: We have had a submission put to us by ICAC that we should move to a process of unit pricing and ask NGOs not to tender on the basis of price but on the basis of how much service they could provide for a fixed price. Do you think that would be a better way of dealing with this issue?

Professor SHERGOLD: I think that in certain circumstances there is an advantage in doing so, but I hope you will forgive me if I wind back your question one step, because my view on how you do the pricing really goes back to who makes the decisions. I am a great supporter of governments being able to commission the delivery of services. There is significant evidence that you get more cost-effective delivery and, in my view, you often get a significant improvement in the quality of services—nothing here to do with the commitment of public servants, but the fact is that not-for-profit organisations tend to come from a place of the heart and, in general, tend to have greater empathy for those to whom they are delivering services.

The problem has been very often that the not-for-profit organisations are only engaged at the end of the process. What I mean by that is that governments decide upon what their approach is going to be to meeting their political commitments, Cabinet decisions are taken, departments are asked to turn those decisions into legislation, regulation and administrative guidelines, contracts are written and only at that point is the not-for-profit sector approached to deliver. My view is that we should see this far more as a partnership; in other words, those that are to be contracted to deliver community and human services should have some capacity to be involved in the drafting of the administrative guidelines by which these services are to be delivered, and in doing so they will be able, I think, to come to much better decisions on what basis the commissioning should take place—whether it is by unit price or price of outcome or on the basis of quality or whether there should be rollover or whether there should be a limited tender.

There are a variety of ways you can do this and I think there are horses for courses: there are different services you deliver in different ways. The key, from my point of view, is that not-for-profit organisations which are likely to be involved should have some ability to contribute to the administrative processes by which government decisions are turned into the programs which are delivered, not least of course because they often have significantly more on-the-ground front-line experience than the public servants who are drafting the administrative guidelines on behalf of government.

CHAIR: That is a lovely segue to the Ministry of Health, who have undertaken a study and commissioned a task force headed by former Senator Chris Puplick, I believe, looking at exactly that in terms of partnering as well as local decisions being incorporated into that whole model. You touched base earlier with not keeping pace with the relationship change in relation to where we are now. Does that fold into that, that communities and those NGOs and not-for-profits should have greater input into how and what sorts of services are delivered in local environments? One size does not fit all.

Professor SHERGOLD: One size does not fit all, either for different subsections of clients or for different local regions. I am sometimes asked where does government get left in this; that if so much is able to be decided through participatory democracy at a local level what is the role of government? From my point of view, government is important; it sets the political direction, it sets the budget, it decides on expenditure and it says what the outcomes are that it wishes to achieve. That is quite appropriately the role of elected government. Having done so, however, in terms of the governance arrangements of how best to deliver those outcomes to the budget that is available, there can be much greater innovation. My frustration is that very often over time the contractual relationships between public service agencies and not-for-profit organisations become burdened down with a high level of prescriptive red tape, and the result of that is to stymie creativity and innovation—

CHAIR: And ultimately the delivery of service.

Professor SHERGOLD: —and local responses. Absolutely. My view is: Why go through the process of outsourcing, of commissioning—which I strongly support—if you then build up so much red tape that what you are doing is trying to standardise those organisations as if they are public service agencies? The basic

benefit we gain from commissioning is not just that it is more cost-effective or higher quality services but that you encourage innovation in the delivery.

CHAIR: And flexibility.

Professor SHERGOLD: Innovation and flexibility in the delivery of services. At the local level, at the level of particular clients, we should welcome the situation where a range of organisations can be commissioned to deliver the same outcomes but whose approach is very different. We can then perhaps use that in a collaborative way to promote best practice. But we should actually encourage difference.

Mrs BARBARA PERRY: You were asked some questions by Mr Conolly around the unit cost price and ICAC's evidence around that. Were you here for ICAC's evidence?

Professor SHERGOLD: No, I was not.

Mrs BARBARA PERRY: It would be interesting for you to have a look at the transcript afterwards, but they were certainly advocating, I would have thought, Mr Conolly, a far different approach. One of my questions was that governments, as you say, may know the market well and they may know what is required for a particular service and know the deliverer of those services quite well, but government needs to be transparent about what it wants for that unit cost price or for the price that it is seeking up-front and that it is no good to go back later and say "This is what we want for the price" after the price has already been agreed upon. How can you, from what you are saying—notwithstanding what ICAC said, which is a far different proposal—provide a system that ensures that government is transparent enough around what it wants?

Professor SHERGOLD: The first thing is that government has to be clear about the outcomes that are wanted and then we have to assess not only the full costs of achieving them but also the full benefits. One of the exercises that I have been involved in recently as the chair of the Social Investment Advisory Group on social impact bonds is looking at the bonds. I do not want to talk about them directly so far except to say this: It is very apparent in the two areas we have looked at—prisoner recidivism and out-of-home child care—that the exercise of trying to negotiate bonds has made us aware of how much better data we need on the outputs and outcomes that are being delivered.

The truth is, I spent my last five years in the Australian public service endlessly extolling to my colleagues the virtues of a whole-of-government or whole-of-governments approach to break down bureaucratic silos. The reality is that nearly always governments and their public services continue to define outcomes in quite narrow bureaucratic siloed ways, and it is often the not-for-profit community organisations that understand the full benefits of investment. For example, when I had the responsibility of overseeing the Job Network I was interested in how many people could be placed into work for 13 weeks and 26 weeks and at what cost.

I knew that increased workforce participation reduced welfare and increased tax receipts. But let me be honest with you: It was only when I spoke to Mission Australia or the Salvation Army, for example, that they fully comprehended the full benefits of placing someone in employment. To them it was not just about getting someone into work for 26 weeks, that was just part of taking action which would allow people to increase their self-reliance. In other words, they fully understood that if you get someone into employment you also get benefits in terms of their health status, in terms of the functioning of their family, even in terms of their children being more educated and less likely to become welfare dependent in the future.

So the key, first of all, is having much better metrics than governments tend to have at the moment on actually assessing what are the real impacts of government and public expenditure. Then when you can do that you can see you can start to deliver in a whole range of more innovative and flexible ways rather than to say "This is the program and it is to be delivered in this way" wherever it is delivered across New South Wales.

Mrs BARBARA PERRY: That is a really good insight into it. There was some evidence that relates to it that you gave earlier on. You were talking about the reforms that are going on here. As the shadow Minister in this area, I can say to you that what I have seen is that medium-sized organisations who are doing a great job need to stay in there; we have known them for a long time and we need to ensure that they do not get pushed out of the whole process or out of the sector. At the moment there are for-profits that are being allowed in. I was wondering whether you have a view on for-profits being allowed into the community services sector and does that change any of the information that you have given us?

Professor SHERGOLD: I believe that there is a role for for-profits in the delivery of services in the community sector and that in some ways it is becoming increasingly difficult to distinguish the for-profit from the not-for-profit. An increasing range of organisations would now class themselves as social enterprises; that is to say, they continue to be driven by mission but seek to trade and earn revenue in order to undertake that mission. So it is no longer a black-and-white situation, it is much more confused. What I would particularly support is certainly taking place in partnerships or alliances between the not-for-profit sector or social enterprises on the one hand and the financial sector or the private sector on the other.

We can see, for example, that in areas such as social housing this provides real opportunities to provide social housing with a strong sense of mission at the lowest cost, in a way that governments can benefit. I suppose it is, of course, the whole basis of social benefit bonds, that in fact it is a relationship between the not-for-profit sector and the private sector able to help bring private capital into the achievement of socially beneficial impacts. I think the reality is that in the community and human services sector the key players will remain predominantly not-for-profit organisations or social enterprises, although they increasingly, of course, will operate as businesses with the same sort of acumen. I absolutely agree with you that we have to be careful that the medium and indeed the small new players are not pushed out because just as in the private sector some of the smaller and newer members of the not-for-profit sector are the ones that are the most innovative. We need to make sure that they can continue to operate.

Mrs BARBARA PERRY: How do we do that?

Professor SHERGOLD: First of all, we need to make sure that we are, in one way or another—and there are a variety of ways of commissioning outcomes—acting in a way that allows all range of not-for-profit organisations to be able to tender to the extent that you promote flexibility and a variety of ways of delivering, particularly if you can deliver services at the local level. It may well be that the best possible provider in terms of value for money is actually a small to medium organisation.

There are some areas where you can gain significant economies of scale and obviously if you are a large organisation with rich tradition, deep pockets and reserves and a philanthropic brand, in some ways it is easier to operate in this space but we do need to make sure that smaller organisations can deliver not only because they may be more innovative but often what you want to deliver is best delivered at a community level. For example, let me make it concrete: There is clearly a large role for the big organisations involved in researching and combating cancer.

You know that in order to undertake research on a large scale it will tend to be larger organisations that are more effective but if, for example, you want to ensure that every woman who goes into hospital for a breast cancer operation has someone at their bedside who has been through that operation, which is the ethos of an organisation like Bosom Buddies, that is actually better delivered at the small community level. It may well be that a small organisation like that in Broken Hill or Wagga Wagga is actually the best deliverer of that service rather than one of the larger national organisations. We need to make sure in the way that governments undertake commissioning that in looking for the organisations best able to deliver outcomes in a flexible way, that it is open to all sections of the sector.

The other way you can help, of course, is in making it clear that smaller organisations can come together into consortia in order to bid. That was quite successful in the Job Network and in a range of State Government programs. I think there is value in helping small organisations being able to benefit from shared services and back office services, either provided with government support or through the large players. So there are a number of ways we can ensure that small to medium enterprises can continue to be key players in the sector.

Mrs BARBARA PERRY: You have talked about social bonds through a number of mediums in your evidence today. You would be aware that the Government announced in New South Wales last week social bonds in relation to out-of-home care and Uniting Care.

Professor SHERGOLD: Yes.

Mrs BARBARA PERRY: You said that the Government is not very clear about outcomes with respect to the social bonds process. Can you elaborate on the outcomes with respect to the bonds that were announced last week?

Professor SHERGOLD: I can certainly talk about the sort of issues that my group is overlooking and that obviously Treasury has the key involvement in. Of course, there are negotiations taking place with three potential proponents, and the first has now been announced. I am hopeful that the other two proponents will be able to get up during the course of this year. The sorts of problems you face is that if you are going to contract for an organisation to deliver outcomes over a medium-term period and then allow an organisation to enjoy, as it should, the benefits from achieving beneficial social impact, you have to have better data than we are used to collecting, and that is useful whether or not you are moving to social benefit bonds.

For example, the first question is: well, if we are doing this, what is the counterfactual? What do we think that the rate of prisoner recidivism or out-of-home child care is going to be in five years time? It is not going to be the same as now. How are we going to make the estimates? Then, in order to undertake the contract, what are the different parts of the control group? Not all prisoners are the same, not all children at risk are the same. What is the control group that you are actually going to use? Then, what are the outcomes that you are seeking to achieve and beyond those specific outcomes what do you think are the full range of benefits that will accrue?

This is the sort of information that governments traditionally have not, I think, effectively collected and they are now being pushed to do so and the learnings that I think come out from the negotiations around social benefit bonds will be useful even for the wide range of community services that continue to be delivered in more traditional ways.

CHAIR: We have heard how some agencies perhaps are not aware of specific funding, outcomes, inputs, results and so on and so forth, and where an NGO might access an income stream or a number of income streams from different departments and that information is not being shared. Do you have any thoughts around how that might be tidied up and how information sharing at a government level could be achieved?

Professor SHERGOLD: It is both a matter of government sharing and also reducing the burden of red tape on the community organisations that are delivering government services. The first thing that should happen is that there should be a concerted effort to make sure that the not-for-profit organisations that are delivering services have to report once and that information can be used often, whether it is across a range of different government organisations, different programs or indeed Commonwealth and State programs. This should be a relatively straightforward thing to do but it is actually quite challenging to do in fact, but it should be done.

CHAIR: Why is it challenging?

Professor SHERGOLD: Because of the systems that have been built in each department in order to monitor the contracts. The contract conditions may vary from contract to contract. They are delivered over different time periods. Some of the contracts can be rolled over. Some of them have to go to tender. If there is sufficient government will and direction, this can be done and should be done.

CHAIR: How?

Professor SHERGOLD: There should be a standard process of contracting with reporting at a similar time no matter what program and what agency, with the core information required of a not-for-profit organisation, for example, its financial reports only provided once, probably using a standard chart of accounts and within each of the contracts, the aim should be to reduce the amount of reporting necessary. Please understand, I see these as public funds and there must be public accountability for the expenditure, whether it takes place directly from public services or through outsourced arrangements, but a great deal of the information that is collected is not necessary for that purpose because we still tend to collect information on the basis of processes, how many people have you seen and for how long, for example. To the extent that governments can clearly identify either the outputs or the outcomes, that is what should be measured and as long as the program is then being delivered ethically, there should be little need for government or its public service agencies to end up micromanaging what the not-for-profit sector organisations do.

I would like never to hear again of a not-for-profit organisation being rung up by a public servant to ask why the person that they appointed as manager of one of their regional centres does not have a degree. In that situation there is a two-word response that comes to mind. This is simply not a matter for the Government. If the Government is paying for outcomes, the way that they are being delivered should be up to the organisation. We can standardise the reporting and we can strip away a great deal of the reporting. One of the first things, I would suggest, is a detailed conversation involving the auditor about clearly what is the information that is required for

public accountability purposes and beyond that the view should be that you have to make an argument why you want to collect further information.

CHAIR: We heard earlier today in terms of a poor return on investment of \$22.9 million spent over a five-year period with very little result. In terms of protecting the funding environment, do you think auditing should come under ICAC's radar?

Mrs BARBARA PERRY: For non-government organisations?

CHAIR: For non-government organisations.

Professor SHERGOLD: My view is that to the extent that non-government organisations or private sector organisations are receiving government funding, then that expenditure should be subject to public scrutiny by an auditor, by an ombudsman and perhaps, if necessary, by ICAC.

CHAIR: The Auditor-General?

Professor SHERGOLD: Yes, to the extent that it involved public funds but I also think it is very important that we start to make sure that the level of scrutiny, accountability and answerability relates to the size of the contract—

CHAIR: Is commensurate with the contracts?

Professor SHERGOLD: Absolutely. With some of the small contracts where it is a relatively straightforward process, from my point of view something as simple as a letter of acquittal may be all that is required. If there is going to be greater scrutiny, then let us, as in many other sectors, do it on the basis of random investigations for example rather than putting the whole of the sector and all the organisations through that process.

CHAIR: Is there an appetite for a tender gateway so that you do not have a multitude of NGOs delivering a multitude of information and it getting lost in the system, with departments not knowing who is doing what, where and how?

Professor SHERGOLD: Yes, there is but we need to be careful about how we undertake such a centralisation and that in doing so it again does not actually put on pressure for increased standardisation and remove the ability for local decision-making and flexibility. I think that the process by which the Government commissions the delivery of community and human services can certainly be standardised and a great deal of red tape stripped out. However, I still think it important that individual agencies are able to negotiate on the basis of individual programs.

Mr KEVIN CONOLLY: You talked a bit about social bonds. What range of activities or services do you think they are applicable to? How widely could they be used?

Professor SHERGOLD: I think that this new vehicle is particularly useful, first, where it is starkly evident that government policy over a significant period has failed to deliver and where in fact we know there continue to be significant problems. The second is where I think much of the activity is now focused - on prevention rather than addressing the consequences. In other words, trying to stop prisoners re-offending, trying to prevent a situation where children have to be taken out of their homes. Traditionally within governments and within government budgets it is always more difficult to fund such medium-term prevention programs, so that is where I think it can be particularly useful. Third, it can be useful where it is clear we need some more innovative and creative thinking in terms of how major issues can be addressed.

It does not, in my view, apply to all areas. I think that the Government's decision to focus in this first stage on prisoner recidivism and out-of-home care is good. You could see how it could be applied to other areas. But, if you think about it, social benefit bonds, although they are a very innovative vehicle in trying to bring in private sector funding in order to help achieve Government objectives, it is really not that different from the outcome-based contract funding that exists, for example, in Job Services Australia. You could approach that in a similar way, except that with Job Services it seems realistic that you can pay outcomes on the basis of getting someone in to work for 13 or 26 weeks. If you are paying for an outcome in terms of prisoner recidivism you probably want to make sure that you are paying on the basis that they have not returned through the legal

process over the next three, four or five years. That is where bonds are particularly valuable—in those areas which are the hardest ones for government to fund, which tend to be preventative measures, because the nature of government is that most funding tends to end up dealing with the consequences of antisocial behaviours, for example.

CHAIR: Talking about housing now, we are seeing a number of regional centres look at programs such as Building Better Cities and so and so forth. A report from the Australian Housing and Urban Research Institute entitled, "A private retail investment vehicle for the community housing sector" concluded:

The research has, unfortunately, provided little optimism for the future. The literature, the experience in other countries and advice from the finance industry all indicate that private sector investment in community housing is highly unlikely without higher levels of government support and subsidy than is currently the case.

Are you able to comment on that?

Professor SHERGOLD: Not specifically, but I am absolutely persuaded that the best hope for addressing social housing needs is to do so in a way in which control can be devolved to the lowest possible level, at the regional level and to the community organisation involved, for decision-making in terms of how the social housing is to be managed. In terms of how it is to be funded, my view is that there is and continues to be great opportunity in not-for-profit organisations working with the private sector in order to provide funding at lower cost than is traditional. Having said that, I am not suggesting that there will not be a need for continuing government subsidy and support for social housing.

We also need to look at more innovative ways in which we approach housing. You see, here is a classic instance where we tend to think about issues along the lines of bureaucratic silos. We think the problem with housing is a housing problem, it is getting people into housing. It may well be that if you could instead invest in the person who is not in housing, can help to address their drug and substance abuse problems, can help to address their dysfunctionality, can help to address the issues they are facing with mental health, then it actually becomes quite easy to find a housing answer. The problem itself is not housing but these other issues that lie behind it.

CHAIR: Which takes you back to your Mission Australia comment earlier where you talked about the whole-of-life aspect for that particular person, which relates to a lot of the problems that we face today.

Professor SHERGOLD: That is right. That is why we need to work with the community sector. I think it is far more likely that by creating a partnership with the community sector we are likely to see a much greater focus not just on the range of multiple disadvantages that often have to be overcome, but the range of benefits that accrue. So often when governments and treasuries look at the area of human and community services they see it through the lens of expenditure. We need to move so they start to see it through the lens of investment.

CHAIR: A possible triple bottom line?

Professor SHERGOLD: Agreed.

CHAIR: Professor, we thank you sincerely for your time today. I know you have been extremely busy over the past couple of months and having you here today is greatly appreciated. Your insightful comments and feedback are also greatly appreciated by the Committee. I am sure it will feed into our report and no doubt have an impact.

Professor SHERGOLD: Thank you very much for the opportunity. I am happy to answer any further questions. If it would be helpful, I am happy to provide out of session two or three articles that I have written on this subject.

CHAIR: Thank you. We would gratefully receive those.

(The witness withdrew)

The Committee adjourned at 4.06 p.m.