

REPORT OF PROCEEDINGS BEFORE

COMMITTEE ON COMMUNITY SERVICES

**INQUIRY INTO OUTSOURCING COMMUNITY SERVICE
DELIVERY**

At Sydney on Monday 3 September 2012

The Committee met at 9.30 a.m.

PRESENT

Mr K. J. Anderson (Chair)

Mr K. F. Conolly

Mr A. Issa

The Hon. B. M. Perry

Ms A. Watson

JAMES MOORE, Director General, Department of Family and Community Services,

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

LEONIE KING, Executive Director, Community Housing, Department of Family and Community Services,

SAMANTHA TAYLOR, Executive Director, Sector Development, Ageing, Disability and Home Care, Department of Family and Community Services,

CARMEN PARTER, Director, Centre for Aboriginal Health, Ministry of Health, and

JASON ARDLER, General Manager, Aboriginal Affairs NSW, affirmed and examined;

JAMES LONGLEY, Chief Executive, Ageing Disability and Home Care, and

ROHAN HAMMETT, Deputy Director General, Strategy and Resources, NSW Health, sworn and examined:

CHAIR: Thank you for attending this public hearing of the Legislative Assembly Committee on Community Services Inquiry into outsourcing community service delivery. The public hearings being held today and on consecutive Mondays over the next two weeks will explore a range of issues related to the continuing transfer of housing, home care and disability sectors services from government to non-government providers. The Inquiry is examining 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 part of the changes in the delivery process. The Committee will pursue 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 will examine ways to ensure that all providers are fully accountable for the funds and resources they are charged with responsibility for administering.

I remind everyone to switch off their mobile phones as they can interfere with Hansard's recording equipment. If your phone is on silent please switch it off completely. I welcome witnesses from New South Wales Government agencies with responsibilities in this area of service delivery and oversight. 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. Are you happy to provide a written reply to any further questions?

ALL WITNESSES: Yes.

CHAIR: Mr Moore, as leader of the group, are you prepared to make a brief opening statement of not more than five minutes?

Mr J. MOORE: In the interests of time I will just say that I welcome the opportunity to appear in front of you with my colleagues. We would like to spend our time answering your questions. The New South Wales Government has made a submission and that is what is most helpful. We will leave the submission on the table and proceed to questions.

CHAIR: Mr Moore, the transfer of community service functions in the New South Wales Government submission refers to growth in the family and community service system with renewed focus on non-governmental organisation [NGO] funding relationships leading to improved client outcomes. As outlined in your submission the New South Wales Government is planning major reforms in family and community services over the next few years to improve the service system, create efficiencies and achieve better results for people. Will each of the agency representatives outline their respective roles in the formulation of policies to achieve this aim?

Mr J. MOORE: As you correctly identified, Chair, there has been a longstanding direction to direct funding for services into the non-government sector in the broader family and community services area. Since 2001 to this year we have seen a 150 per cent increase in the amount of funding that is directed through the non-government sector. The non-government sector has seen a rise from \$800 million in 2000-2001 to an expected \$2.3 billion this financial year. There is not just one single plan for the roll-out of funding into the non-government sector.

Different parts of family and community services and different parts of government services have different strategies relative to the priorities of service delivery that are being pursued. If you look at the disability arena we are trying to build a community that is much more engaging and embracing of people with a disability and provides opportunities for them to live full lives. That is the product of a remarkable shift in the demographics whereby people with disabilities live on average as long as anybody else. We are looking at a community that has to learn how to embrace people with a disability and provide them with opportunities to participate and contribute to society.

The non-government sector is a very important player in being able to shift community awareness, attitude and capability. For the last few years we have seen a concerted push of funding into the non-government sector around a range of providers who are able to work with people with a disability in various innovative and different ways and also to work with the community to bring those connections together. That policy setting is now being enhanced with a shift towards the ability to empower people with a disability to have greater choice in how to direct their funding. That moves away from a policy setting where funding rolled from the government into non-government sector organisations which then ran services that people with a disability were linked up to. This will enable people with a disability to have a greater choice about the sorts of things they need in their lives to make a difference in their lives.

The Government has been providing substantial resources to the non-government sector to enable it to build its capability to respond to that choice and to ensure that experience transfers into other jurisdictions where flexibility in funding or client directed capabilities has increased. Unless the service system shifts you do not get much of a change in what people with a disability can acquire to support them in their lives. There is recognition within our policy settings in disability that there is a need to build a greater capability within the non-governmental organisation [NGO] sector to be responsive to service provision.

Moving into community services and the child protection and child well-being area there is a growing use of the non-government sector in two particular areas. One area is the early intervention prevention area where you are intervening in family lives before they reach the point of significant risk of harm to a child's wellbeing and statutory interventions are contemplated. They are very important areas of growth in order to ensure that families are being connected with a range of people and opportunities to build, strengthen and reengage their family responsibilities. It is not something which is suitable for a single methodology or type of intervention.

At the other end of the spectrum the Government has followed through on the Wood Royal Commission recommendations about transferring the oversight of people in out-of-home care into the non-government sector. Again, that policy setting would have at its core getting a wider range of people involved and a wider range of options available to people in these circumstances. It recognises that you are trying to have more than one type of child, family or risk being managed; you need a wide range of options available. There has been a substantial shift in consideration of what role the community housing sector can play. There are many factors that Ms King can elaborate on and take you through.

In terms of State finances—looking at different issues about policy settings in the non-government sector—the Commonwealth Government does not provide Commonwealth rental assistance to people in public housing but it will provide it to people in community housing. That means there is an increased stream of funding available to people living in those circumstances and it makes for a greater ability to grow and enhance the supply of affordable housing. We also use a wide range of non-governmental organisations in the homelessness area. That often characterises itself around people with a disability and child protection and well-being where you do not want one solution, you want multiple solutions.

You do not want it to be a straight relationship between a government intervention and an individual, you want a range of connections to be built up. It is those connections that will give a person that is homeless a greater likelihood that they will be able to sustain whatever arrangements are put in place to keep them from being homeless or remaining homeless. As with people with a disability you need to make sure you have

connected that person with a wide range of community opportunities and not simply intervene to give them a piece of respite or something like that.

CHAIR: In terms of the optimal client service outcomes and the benchmark you need to achieve, can you describe any interagency mechanisms and collaborative frameworks across the sectors you spoke about to ensure consistency across operational areas?

Mr J. MOORE: I will be happy for my colleagues to join in after this if they have additional thoughts. I will stay within the family and community services area under the administrative arrangements that were put in place at the start of this term of Government. There is a strongly formed department which covers three key areas of interventions that involve the non-government sector. Off the top of my head I cannot tell you the share of non-governmental funding that flows through the Department of Family and Community Services but it is very substantially the largest funder of the non-government sector. Within our organisation, we are now working on how you will be able to connect up and get greater degrees of consistency when being involved or engaging with the non-governmental sector.

A high-level of observation for the Committee is that the interconnectedness between non-governmental organisations needs to be put in the context that—if you use the family and community services [FACS] entity for one second—very few of our clients are clients of more than one part of family and community services at any one time. Equally as important is that a number of our non-governmental organisations receive funding from multiple parts of family and community services. That is a reflection that what you are trying to do when you are involving yourself around disability is that it sometimes is not irrelevant to a child protection matter, but it is substantively different, and is often not related to a housing matter. The priority is around getting those streams working well. That has been the focus of family and community services and some of its predecessor entities for some time. As we are funding large-scale non-governmental operations more and more, some of the issues of consistency now matter most of all.

CHAIR: By way of assistance, Mr Moore, in your submission, the budgeted expenditure for the department for 2011-12 is \$5.3 billion, of which non-governmental operations funding represents 45 per cent.

Mr J. MOORE: That is right. It is \$2.3 billion this year, 46 per cent. We funded approximately 2,000 non-governmental organisations out of that funding. Four of those organisations received funding from the three key parts of family and community services; 192, again less than 10 per cent, received funding from both Ageing, Disability and Home Care and community services. Do not get me wrong, consistency matters: being able to have an interrelationship with organisations which does not cause them to have one form of registration or identification here and another form for a different part of family and community services. They are important parts of the operation but the policy settings that drive us do not need a great degree of consistency across the three streams.

The point I am trying to make is that it is not a priority. It is important but it is not the next thing to be solved if you are trying to improve your interventions. As we move towards having sorted the key policy settings that are driving the three big streams of family and community services, we will then move into some of the things that relate to cutting more red tape and being able to operate more efficiently. In the last round of tendering for expressions of interests for community service providers to do out-of-home care, there were a significant number of disability providers who put their hands up. That is an important subset of the child protection area. We are starting to see an expansion of that and consistency will come to the fore. In terms of your question, I am suggesting you do not judge the lack of infrastructure and address that issue as failing as opposed to a reflection of what are the priorities at the moment.

Mr KEVIN CONOLLY: How much consultation and what kind of consultation has been conducted and will be conducted with a non-governmental sector in the development of appropriate guidelines and mechanisms to enable effective transfer of service delivery functions?

Mr J. MOORE: Again, that is something which will take place in the three streams. If we start with the community services area, I will ask the head of community services to take you through some of the elements of consultation and engagement that occur. This is not something we think we can do alone. We do have to be heavily engaged with the service provider side of things to ensure they are able to step up to the mark and we have got the right policy settings. One of the characters of what we had been doing is a continuing engaging process, but it does vary in the different parts of family and community services.

Ms WALK: I will use the example of the out-of-home transition and ministerial advisory group as a mechanism of consultation that has taken place between family and community services and the non-governmental sector. What was established was a ministerial advisory group, chaired by both the Director-General of Family and Community Services, Jim Moore, as well as the executive officer of the Association of Children's Welfare Agencies [ACWA], which is a peak body of all of the agencies that provide non-governmental organisations out-of-home care. The ministerial advisory group is jointly chaired by those two positions and has on it two people from the Association of Children's Welfare Agencies board, two leading non-governmental organisations, both the chair and a regional representation.

The Association of Children's Welfare Agencies body itself can negotiate with its own agencies. It has two people from the Aboriginal Child, Family and Community Care State Secretariat [AbSec] board, the chair and the executive officer of that organisation, and two people from community services, myself and another colleague. We utilise that mechanism as a way of both planning for the transition as well as allowing the child welfare agencies and the Aboriginal Child, Family and Community Care State Secretariat to manage consultation with the broader non-governmental organisations. It has regular forums. The last forum was held on 8 August, which brought together all of the non-governmental organisations with the Transition Program Office, the body that is leading the transition, to be able to walk through many of the significant issues that may arise. By working that way we are also managing to discuss and work with the carers who are not necessarily formally represented in all of the non-governmental organisations, but it allows some discussions with the various carers that are engaged.

Mr KEVIN CONOLLY: If I can tease out that point, the model sounded like the Government was collaborating and discussing with the peak bodies and the peak bodies then go and consult further down the line. Is that broadly how it is working?

Ms WALK: That is broadly how it is working, simply because of the variety of non-governmental organisation agencies, whether they are a small agency in a rural area or a large agency that might have a lot of outlets. We need to be able to find a mechanism, and the peak body is the one that is most able to reach the various players, whether they are a small organisation on the ground or a large organisation with a lot of outlets.

Mr J. MOORE: Adding to your subsequent question, in the community services area, as we are moving to the utilisation of the non-governmental sector to supervise out-of-home care, in addition to the high-level consultation framework that Maree Walk was just mapping out, in each region of community services—seven locations at least—there are local implementation groups which are jointly chaired by a non-governmental entity and community services personnel, again with the view of working together to orchestrate the engagement of the non-governmental sector and the transfers into the non-governmental sector and the use of the non-governmental sector as the first point of placement for children.

We are using the peaks at the highest level, but we also work in a growing consolidative way with community services on the ground. If you were to cross into disability, it is not a dissimilar two-tiered structure where there is high-level engagement which is orchestrated through the key peak level. The predecessor government has made no bones about focusing its main effort on driving the large disability sector, and the same is applying to the growing community services sector and working with a representative peak level organisation, but we also have a lower level closer to the grassroots end of engagements and consultations.

In thinking about what that might entail, we do not simply place ourselves in the hands of the peak body and leave it to the peak body to exclusively make up its own mind. We will be saying in conversations, and have said many times with national disability services [NDS], that we are concerned to ensure that the organisation is an effective voice of the smaller end of the provider sector, that we are not interested in doing business exclusively on the terms of who the organisation would represent in terms of the current membership. We recognise there is a need to ensure that the smaller end of the non-governmental operations spectrum is engaged with, but we are trying to make sure that works through the peak body rather than diversifying the range of entities that get engaged.

Mrs BARBARA PERRY: It is very clear where devolution is happening in each of your agencies. I ask this question so it is clear to us as a Committee: Can you give us your professional opinions as to what operations should not be devolved to the non-government sector and why? I ask each chief executive to answer that question.

Mr J. MOORE: In the absence of any better way, why do not we just go from left to right?

Dr HAMMETT: We are certainly not thinking of outsourcing cardiac surgery at this time. Having said that, relative to the sort of figures that Mr Moore has been talking about, out of our \$18 billion budget, Health only invests about \$150 million through ministry grants to the non-government organisation sector and the local health districts, of which there are 17, spend about another \$100 million on grants to non-government organisations. In the spirit of devolution indeed we have encouraged our local health districts to determine where the non-government organisation sector can complement and enhance their existing services in health care and indeed we have a grants management improvement program underway currently that is looking at new partnerships with the non-government organisation sector where services that have traditionally been provided by local health districts could possibly be provided by the non-government organisation sector in future if it will improve outcomes for people.

Mrs BARBARA PERRY: Such as?

Dr HAMMETT: Such as, for instance there are very effective drug and alcohol detoxification programs that operate in the non-government sector and are certainly more advanced in other States in terms of their spread throughout the community than they are in New South Wales. Similarly some States have step-down community mental health services that are run by the non-government organisation sector. Those are just a couple of very simple examples of health service provision that can be done by the non-government organisation sector and we are delighted to work with our non-government organisation partners—and we do see them as partners—in health care provision to identify where further opportunities might lie to enhance health outcomes.

Mrs BARBARA PERRY: Housing?

Ms TAYLOR: Thankfully I am not Housing, so I cannot have an opinion on that. I deal with non-government policy in Ageing, Disability and Home Care and some across Family and Community Services so I am very much focused on where the capacity of the non-government sector is to take on services. There are obvious issues with moving out quickly, transferring services in a speedy way without providing that capability and development in the non-government sector, which is where my primary focus is on, how we actually build up capacity in governance and management, et cetera, to take on new services as the non-government sector is willing. I could not really put a professional position on what should or should not go.

Mr J. MOORE: I am just talking with Maree Walk here. I make an opening comment about the Family and Community Services bits and then allow further elaboration. First and foremost, it is a matter of government policy as to which services are appropriate to do with what part of the broader service delivery system. The key in terms of what advice we would provide to government and the key issue that will drive this, glib though this may seem, is getting the right services to the right clients in the right way. As I was elaborating in my opening set of responses, when you look at where we are relying more and more on non-government sector service provision, it is where we are endeavouring to connect clients into a community setting where it is not just a matter of an individual intervention to get something solved; it is not a question of to remove a child or not to remove a child—not those sorts of questions—but where you are trying to get some outcome which involves quite sensibly a broad connectivity with the community and that would be where we professionals would be advising government that may not, in the circumstances, be appropriate, but first and foremost, it is not for us to offer a view as to what will be.

Mrs BARBARA PERRY: Perhaps the question should be rephrased if that is your concern. You would give advice to government but are there any further plans to devolve operational matters or any other work that your agencies do other than what we already know? Are there any further plans, for example in Housing, to devolve any other operational issues? We know in Ageing, Disability and Home Care that Home and Community Care funding has changed. Are there any other plans in Ageing, Disability and Home Care to devolve any further operational matters to the non-government sector, and with Community Services, are there any further plans? It is important that this Inquiry looks not only at what is happening now but also looks to the future?

Mr J. MOORE: In Community Services the Government's policy is very clear: the key change, key implementation is the transfer to the non-government sector of the out-of-home-care supervision for the rationale that I was outlining earlier. That is something which has a five-year time horizon on it and indeed we have been pretty clear that in order to make it successful for Aboriginal children, there really is a 10-year time horizon because the core there is ensuring that there are Aboriginal organisations with the competence and

ability. There are some but there is not enough, so there is a quite careful, long-term strategy. The message behind that is that it is a big enough plan to digest here and now.

In Disability you have a totally different challenge. The challenge there is the one of shifting to individually directed or greater control of individuals over the resources that are available to them and the primary driver of who will be the service provider will become the client. It is not a government choice about who will be the service provider. In the Housing arena one of the critical issues is the Federal Government has made it clear—I do not know that it would use the words but it looks in all other respects to have the words capping what would be the amount that it would see in the community housing sector at around 35 per cent of total housing and that is not unsurprising if one was to look from the Commonwealth's perspective because it pays Commonwealth rental assistance.

Mrs BARBARA PERRY: What operations then are best left with government and should not be devolved in each of the agencies?

Mr J. MOORE: I would like to try and answer the question not directly because, as I was saying to you, it is a matter for government to make the choices as to what will be delivered in what ways but the simple fact is the business of government will never escape the risks around three sorts of areas: the risk that the right clients are being serviced in the right way at the right time. It will not matter who is delivering those services. At the end of the day, even if you have a completely non-government delivered set of services the Government is still going to be in the frame for responsibility for that. It is also going to be in the frame for responsibility for ensuring that you have the right service providers doing the right level of service in the right way; and, thirdly, that you have the right connections with the broader community, other government service provision, plus the community that is delivering an effective outcome for people.

Those three risks will always at the end of the day involve some degree of government activity to ensure that they are being properly managed and exactly where the balancing act is or the line of balance is drawn between what is managed directly by government and what is managed at arm's length, so to speak, is a matter of circumstance and government of the day choice, but you will always run up against those three key risks as being risks that government cannot ignore.

Ms ANNA WATSON: The Local Government and Shires Associations submission argues that local councils, as providers of local community services such as child care and senior services, do not want to outsource to non-government organisations. How do you see the role of local government in the provision of local community services?

Mr J. MOORE: Local government is a critical and variable level player across New South Wales. However, it is also a critical player in bringing together different parts of the community to work together. I will speak for the Department of Family and Community Services in particular, not other players around the table. We see ourselves as wanting to be able to work effectively with whatever local government is prepared to do and would encourage it to take on substantial roles. We also do not see ourselves saying to local government that we will work with it solely in partnership. As I said in answer to Ms Perry's question, the management of these three key risks will require the State Government to make its own decisions about that. Local government is always welcome and is funded to a non-trivial degree by the Department of Family and Community Services to provide a range of services either directly or indirectly and different local governments act in different ways as to how they acquire services.

Ms ANNA WATSON: That being the case, are there any particular features or services that are delivered by local councils that you believe should be considered as separate issues as part of any tendering process?

Ms KING: Can you clarify the question?

Ms ANNA WATSON: Are there any particular features or services currently delivered by local councils that should be separately considered as part of any tendering process, for example, home and community care centres and community transport?

Ms KING: Are you asking whether we should allow local government to participate?

Ms ANNA WATSON: Do you think the tendering process should be considered in a different way than it is with regard to any other provider given that it is local government and that there may be cost-shifting issues?

Ms TAYLOR: In my experience local government has not really been actively engaged in responding to tenders around direct service delivery in the ageing, disability and home care space. Their focus has generally been on community coordination. So the focus of the spend in home and community care particularly, which has the greatest relationship with local government—about \$30 million in ageing, disability and home care across 98 councils this financial year—has been on managers and directors of community services. They play a key role in coordinating home and community care services and in drawing in other aspects of those local communities together to support people with a disability and older people who have been recipients of home and community care. We were at pains during the transition of the Home and Community Care program following the National Health and Hospitals Agreement shift—which involved over-65 funding being transferred to the Commonwealth—to retain a relationship with local government in that respect.

Ms KING: In a housing context, the emphasis has been slightly different. We have looked for local government to work closely with non-government organisations either through joint ventures or other arrangements in terms of responding to tenders. For example, we have run open tenders to transfer title to Nation Building properties. A number of local councils were present, but it is fair to say that they were not the respondent in terms of the planning assessment process but, rather, the potential provision of land. There is a number of self-generated partnerships around joint affordable housing projects looking at key worker housing where non-government organisation community housing providers and councils have worked very effectively together. I do not think it is an either/or situation. It is about our non-government organisation partners using all tiers of government to deliver a particular outcome.

Mr J. MOORE: I will add a higher level observation in light of that question. One of the key points in the New South Wales Government submission is that our use of the non-government sector is around the ability for it to bring social capital into the equation. That means being able to ensure that we are not simply relying on a government funding relationship to build community engagement. A number of other rich parts of the community need to get together. Local government has a capability to generate and to connect up social capital, although there are some limitations around that compared to the non-government sector. That will be one of the factors that one would play off.

At the risk of raising an issue that has not been raised, I point out that local government entities are also important regulators and we should not underestimate the roles they have to play and the opportunities they have in being able to regulate the world as it relates to the vulnerable people who are the target group for the Department of Family and Community Services. There is also the issue of distinguishing between regulation as it relates to the broader community and vulnerable people. Getting that balance right is another challenge. Inasmuch as local government authorities are the regulators, that makes them much less desirable as service providers. I do not rule that out either, but they are the two big policy issues that would drive a decision. What would be driving our advice? At the highest level it would probably be around those two issues.

CHAIR: Ms Parter, how do you see the Ministerial Taskforce on Aboriginal Affairs that is traversing the State in relation to programs such as Your Business and a number of other areas? How do you see that fitting with the way services are being delivered now and in the future?

Ms PARTER: I will provide some context. Our role is in the ministry's statewide planning and policy around Aboriginal health. In terms of the Ministerial Taskforce on Aboriginal affairs, I will direct specific questions to Jason Ardler. Having said that, from an Aboriginal health perspective, the taskforce is significant in terms of being able to support and address governments in looking at the social determinants of health and, in particular, housing, income and so forth. However, the taskforce is specifically focusing on education and economic development and service delivery and accountability. From a Ministry of Health perspective, we have a relationship in regard to supporting education of Aboriginal people, particularly around employment issues and how we can support employment of Aboriginal people in NSW Health broadly. But similarly, as a service deliverer, we play a significant role in ensuring that our services are being provided in a way that is culturally responsive to the community that local health districts serve. So, our connection with the Ministerial Taskforce on Aboriginal Affairs is significant in terms of supporting NSW Health's endeavours to achieve health outcomes for Aboriginal communities in New South Wales.

CHAIR: The Committee's terms of reference refer to the capability frameworks ensuring that community agencies are not over-burdened by regulatory constraints. One of the concerns that is frequently raised is the amount of paperwork involved in getting funding and having it delivered on the frontline. Are there any plans to reduce that burden to make it easier to do business with those agencies to get services on the frontline? Despite years of effort and goodwill, Aboriginal communities in some sections of this great State of ours are in very poor shape. How do you see that playing a part?

Ms PARTER: That might be best responded by Dr Rohan who is leading the Grants Management Improvement Program, because it falls within the realm of what you are asking.

Dr HAMMETT: Again, a bit of context: Health undertook a review of its grants funding program back in 2009 and a response to that review was released in July 2010. One of the key focuses of that review was on reducing the red tape associated with the grants process and we have been working to do that, at the same time maintaining the balance between the accountability of the funding to make sure that New South Wales taxpayers' hard-earned dollars are directed appropriately and there is accountability and performance measurement for the grant funding that is produced.

New South Wales Health, as of 1 July this year, entered a new funding environment whereby the Ministry of Health centrally purchases health services from the local health districts around the State and our budgeting process has fundamentally changed. We now articulate, through service agreements, the types of clinical services that we expect our local health districts to provide, and we are now seeking to apply that approach to the way we deal with funding of the community and NGO sector so that we quite specifically articulate what services we want to provide, we can measure the effectiveness of those services and we can do it in a way that produces as little bureaucratic delay and red tape as possible.

We have established a task force that is currently chaired by Chris Puplick; it is made up of five members, one of whom is from the Aboriginal Health and Medical Research Council; the others are representatives of the peak NGO agencies. That task force is conducting a series of consultation fora around the State over the next two months to identify where improvements can be made to the way Health funds the grants, and I would expect that we will get submissions to that task force specifically about the need to reduce the red tape burden on the NGO sector, and we are very mindful of that and are actively working to do that as part of our Grants Management Improvement Program.

CHAIR: Can I take you to your recommendation 2 of the review and the recommendation report from July 2010? "Strengthen accountabilities and improve the performance monitoring"—you touched on that a little bit. How do you actually do that? How do you make sure that the communities are seeing some health outcomes, and some positive health outcomes, in relation to what you are trying to do?

Dr HAMMETT: New South Wales Health has in place NGO coordinators within the local health districts around the State, so we have people on the ground who are able to provide advice centrally about the effectiveness of service provision. In addition, each of the particular streams of NGO funding, whether they be for mental health services or drug and alcohol or Aboriginal health or HIV-AIDS services, whatever they might be, relate directly to the program areas within the department, and when funds are allocated they are allocated under a funding agreement that articulates specific key performance indicators as part of that agreement. It is expected as part of the review of any subsequent funding that we will assess the effectiveness of the grants program and whether it has actually delivered what was articulated in the funding agreement. Again, the task force is looking specifically at that agreement process to see how it can streamline it and also whether we have the right levels of accountability built in, whether that can be programmed in.

Mr KEVIN CONOLLY: One of the themes of the many parties who made submissions to this Inquiry was around the issue of profit or non-profit groups being involved in this process of the non-government sector. So I would like to ask, particularly in the context of disability services and home care services, do you think there are certain services that should not be delivered by all-profit organisations or should be; what are the pros and cons; and how would distinctions be made?

Mr LONGLEY: The role of both the not-for-profit and for-profit sectors I think is important in the development of the sector. What is important in terms of the Government's policy settings is around a person-centred approach, and that really is the driver. The key focus, philosophically as well as pragmatically, is that individuals, people with disabilities, should be the ones who decide which services they are going to ask for, demand and as consumers be wanting. So that opens up a full potential market spectrum. To date,

overwhelmingly, services have been provided either by government or by non-government not-for-profit organisations and we have seen very little participation by the for-profit sector.

There has not, to date, been a lot of interest by the for-profit sector but, who knows, that may well develop in the future, and certainly from my own experience in the aged care sector, the relationship between the for-profits and the not-for-profits has been a very dynamic one and one that I think has been very healthy, because both help keep the other honest. The not-for-profits make sure that standards and services are kept at the highest level; the for-profits make sure that that is being done in a financially and managerially rigorous fashion. So there is a healthy dynamic that I think can be brought to play in all sectors of our economy, including in the future in this sector. But overwhelmingly at the moment it is government and not-for-profit, and the thrust is increasingly in the not-for-profit area in terms of growth and so on because that is where our expectation, I suppose, would be—that individuals with disabilities demanding a full range of services will, in fact, want those services primarily from not-for-profits and so on.

But at the end of the day it will be their choice and our driver must be what is best for the individual and what is most integrated into the community at large. That is why we need to come with a very, if you like, neutral approach with regard to that and see people with disabilities participating in the full range of things that happen in our community, whether it is your local service organisations like your Rotary and your Lions and so on, whether it is not-for-profit organisations providing particular services, whether it is surf clubs or whether it is other organisations. We want people with disabilities to be so fully participating in our community and society at large that the question does not even arise of is it a government, is it a private for-profit, is it a not-for-profit, is it an ordinary community organisation? It will be great for us to have that as our goal, and certainly, philosophically, with the person-centred approach I think that is where we want to be aiming towards.

Mr KEVIN CONOLLY: I would like to follow that up with a question targeting the housing sector. I would like to know about the experience of government in the years that we have been devolving housing to the non-government sector; what the experience of the residents and the users of those services have been, whether we are learning through that and whether that has been a positive outcome to date for them.

Ms KING: In the housing sector, as you commented, we have been growing that community housing sector for some considerable period of time. We measure that in a couple of ways: one is by tenants/customer satisfaction surveys, in effect, that are run nationally, and our experience to date has been that the tenants of community housing by and large, on the vast majority of indicators, are more satisfied than public housing counterparts. That is one of the indicators. In terms of thinking about the role of government in terms of funding or supporting a non-government, not-for-profit sector in this instance, we talk about taking a light-touch approach. We do not prescribe for the community housing providers themselves how they engage with tenants; they determine that themselves. We effectively say they are the managers of those services; how they interact with tenants, what formal mechanisms they set up, whether they put tenants on to their boards or whether in fact they set up subcommittees with tenants as representatives to advise them on issues, is a matter for the individual organisation.

So there is not a one-size-fits-all but we have a look at that in the context of the regulatory system that looks at whether there are fair outcomes delivered for the residents of those community housing organisations. From a government perspective we look at the tenant satisfaction surveys as a key indicator or key metric but in terms of how individual organisations, as independent organisations, engage with the consumers or the tenants of those organisations, we place an expectation on them that they do so but we do not prescribe to the way they do it.

Mr J. MOORE: I would like to editorialise on something Ms King said, that I am sure she is not prepared to say but I am, which is that you cannot do a direct comparison between public housing and community housing for the simple fact to which I alluded earlier. Community housing providers have access to a greater rental stream than the public housing provider, complements the way the Commonwealth funds income support. Community housing providers get access to Commonwealth rental assistance; the public housing provider does not. He gets a grant from the Commonwealth with which he has got to cover both the costs of the shortfall in rent, plus all of the investment in growth, repairs and maintenance and so on.

It is not an equation that works well for the public housing provider. To that end you would expect community housing providers to be able to do somewhat better than the public housing provider simply because of the way in which the Commonwealth, over quite a long period of time—it is not a recent thing, there has been

a long trend—is effectively stepping back from the funding of the enduring operating cost of public housing be it community in the both government and non-government sector.

The simple fact of the matter is, you are in public housing because people cannot afford to pay commercial rents, they cannot afford to pay commercial rents because they are pensioners, they are beneficiaries of Commonwealth income assistance more than anybody else, and that income is not enough to generate a commercial return for commercial providers. Therefore, the Government has to step in. When it steps in as a public housing provider it is not able to attract the same rental stream. To that end you would not expect to see the same degree of happiness between the two service things.

(The witness Ms Walk withdrew)

(Short adjournment)

CHAIR: We might just follow on from Mr Conolly's point in relation to the Aboriginal housing sector. Mr Ardler, could you explain how the relationship is going in relation to Aboriginal Land Councils, housing and the flow through in terms of governance, outcomes and where you are up to at the moment?

Mr ARDLER: As members may be aware there is currently a review of the Aboriginal Land Rights Act underway. The working group conducting the review is a couple of weeks away, we think, from providing recommendations to the Minister about things that they would recommend the Minister consult more broadly about. We anticipate that housing in particular will be one of the issues that would require some further discussions with the broader Aboriginal community.

People would be aware that there are 120 Local Aboriginal Land Councils spread across New South Wales. I do not think anybody would be surprised to hear that that creates issues for sustainability of the network. That is a big network to maintain and that is a big network for the regulating body, the New South Wales Land Council, to support and regulate. They have themselves issued a paper probably some 12 months ago now I would guess discussing the issue of the sustainability of the network. There has been no landing on the issues that were raised in that paper. It is likely that there will be further discussion of those issues as the consultations around the land rights Act review continue.

CHAIR: Do you have a timeline on that? When do you think you may be able to provide some further information?

Mr ARDLER: As I say, the working party met recently. They are looking to provide recommendations to the Minister probably by the end of this month, so my guess would be that there would be further consultation then occurring over the remainder of this year.

Mrs BARBARA PERRY: Mr Chair, I think we should note for the record that Ms Walk had to leave. Therefore, Mr Moore, you may or may not be able to answer some of these questions and I understand that. You would agree, would you not, that as devolution continues it is the Government's responsibility to ensure through funding mechanisms and other means that infrastructure, whether it be through technology or ensuring that there are good wraparound services in any of the agencies, is an important and critical factor as we move on. My question to you is simply with respect to technology.

I think you would also agree that the reason that it is important to ensure good infrastructure particularly in relation to technology is that it would ensure in meeting accountability obligations. We now know that in the community services sector there have been for-profit organisations allowed in to the system to deliver out-of-home care services. Will there be the same level of opportunity, for example, for the Ombudsman to be able to access information for the non-government agencies as he can currently for, in particular, the community services department? He can access their computer system to look at particular matters. Will that continue and what will the Government do to ensure that that happens for the non-government for-profit sector now?

Mr J. MOORE: I also relay Ms Walk's apology for being unable to remain. There are some aspects of that question that I am happy to provide some further detail about in writing because I literally cannot give you an accurate, fulsome answer off the top of my head about some of those things. The issue in general terms is a very important one, to ensure that the oversight of people wherever their care is being supplied is one that can be well and truly tested and can be done efficiently and effectively. We would not want to see a situation where

people move to a different provider and there is a greater veil that gets placed over what is happening. In my earlier answer to a question I was pointing out that the Government will never escape responsibility for three key risks: is the right service being done in the right way to the right person at the right time—that sort of thing? That is at the heart of what your question is about.

We will need to evolve some more sophisticated forms of monitoring, which technology makes available, but also greater clarity of roles. I think that one of the confounding factors in the management of Community Services has been the combination of the supplier of service, the contractor of service and there have been some strengths that have come out of that in terms of how individual staff have worked together on the ground, I do not deny that, but the confounding of roles I think is something that has probably not served us well. With a clearer distinction between who is responsible for what and the fact that we have got a Children's Guardian, an Office of the Children's Commissioner, an Ombudsman, Community Services, an Auditor-General and, to be frank, myself as Director General, there are a number of who are people looking to ask the question about right service, right time and have the right complaints been handled in the right way. I think that is one of the reform issues will be a challenge for us. It is implicit in your terms of reference about how we rise to the occasion around getting the appropriate regulatory oversight and ensuring that we do not have an onerous oversight that undercuts the ability of people to be flexible and focus on outcomes rather than being very prescriptive. That is a challenge, but the specifics of how we are relating the particular transfer of resources to a non-government sector and some of the oversight issues of it I will take on notice for you.

Mrs BARBARA PERRY: It has been publicly stated that the Department of Family and Community Services [FACS] uses the Kids Integrated Data System [KIDS] as its computer system and it is different to some extent—and there are lots of reasons for that. Are there any plans to replace that system—and when that time frame might be—to ensure not only its operation for Community Services but also that it can somehow meet the obligations and requirements, which you have spoken about, of the Government to monitor and regulate the non-government and all-for-profit sector in relation to their service delivery?

Mr J. MOORE: The short answer is yes but I will put some more contexts around it. In my role as the Director General I intervened around the development of KIDS and stopped its continued development on the pathway that it was going because of a couple of key factors. One was that the direction for the broader system picks up on the points you have been raising—we are not dealing with a largely in-house operation any longer; children will be in a number of locations and a number of people will be involved with them, and the question is: Have we got the right information management directions to service that? That is not unique to Community Services. There are developments within the Ageing, Disability and Home Care [ADHC] environment to get to the right information management system to enable individualised funding person-centred approaches to work effectively. So I took the step with the staffing of a FACS wide information management group at a senior level to intercede and say: We need to stop investing on the path we are going because there is a different direction, which would tackle some of the questions you are raising.

I also think that there was too much faith in computers and too little faith in people. What you were seeing was—and this is a caricature; it is not entirely precise and everyone who is involved will have their own version as to why this is not a correct caricature but it is the one that I am imposing on the environment—we were too busy trying to replicate current work practices into computer systems so that it was a little bit more efficient as opposed to backing our people and trying to strip away some of the process that people need to be put through. Computer systems designed to replicate work practices electronically is not the right way of thinking as opposed to stepping back and thinking: how could we do this differently and what part of that difference could be done within a data system, within an information technology system? Those two challenges led me to say as the Director General: Stop and let us rethink how we position ourselves. That will lead to work with the Government about what is the appropriate information technology investment for the Department of Family and Community Services and that will address the issue around children as well.

Mrs BARBARA PERRY: In relation to information technology investment we have just seen the tender go out for out-of-home care contracts and we have the Ability Links in disability, which is a bit different. Generally speaking, how is the Government ensuring that there is a specific component included in the funding process to enable all non-government organisations, all-for-profit organisations to purchase up-to-date hardware? Is that currently included in any of the funding components and should it be included in the future?

Mr J. MOORE: I would say that is a hard question because it really bumps up against the question of: Are we working with partners or are we paying fee for service and choosing what we are buying and being very prescriptive? To a large degree the policy setting, which is an emerging policy setting over the past few years

particularly in disability and I think now emerging in the out-of-home care area differently—there is a significant difference in community housing but in its own way there as well—we are dealing with partners. We are all in this together to solve problems. Inasmuch as that is the philosophy you get very reluctant, I think, to be highly prescriptive in what you are paying for and what you are not paying for.

The jargon is to move to the outcomes focus of performance-based contracts, but at heart that is reflecting that we are working together to get this outcome, and the idea that you therefore would be prescriptive about what you are paying for into the minutiae of information technology [IT]. And so on is not placed to be in the contract. That said, in different ways each of the parts of the non-government sector that we are dealing with, governments are making some investments, albeit at differential levels, in capacity building and are trying to work with the sector to go, okay, what sorts of capacity would you need? They are trying to solve some of those problems, which would include the IT issues, from a sector investments side of things as opposed to paying for it through a direct fee for service. That becomes quite rational if you put that partnership concept in place.

To elaborate on some answers that my colleague Jim Longley gave earlier to Mr Conolly's questions about the not-for-profit divide, the not-for-profits bring two key things to the table that really matter in the Family and Community Services area: they bring social capital and they also bring what is sometimes referred to as mission and sometimes referred to as value sets which align with the policy challenge. We are not in the business of disability or child protection. We are not removing a child and having them in out-of-home care until age 18 full stop. We are actually trying to set that person up for the whole of their life and build new community connections. We want the people who are providing that care to have a value set that aligns with a long-term commitment.

If they are going to be partners, you need to have something more than just simply a pure contractual arrangement. To that end, that is what I think philosophically justifies the concept that you might work with the non-government sector to deal with what infrastructure challenges they face and what capability may you, as a government, choose to buy. Maybe you could put that in the fee for service in a certain setting, but at other times you might choose for those things around social capital building and value set alignment to invest through the infrastructure funds for things such as the industry development fund in disability, which is quite substantial. That is tackling questions in terms of quality systems, for example, to enable investments within individual organisations to be made so that they can build their quality system and so that they can be a better provider.

Ms ANNA WATSON: I guess my question is in relation to the submission. It is not surprising to see that more than 88 per cent of your workforce in the caring part of it comprises women. I guess it is seen as almost because we are the natural nurturers and things like that, which is supposed to be in our DNA, these women go from home into that environment. Historically, it has been undervalued work. We have seen the Federal Government address that issue, and I congratulate it for that. However, my question is: Have there been any results to date from the introduction of the standard rate of pay in the Social Services, Community, Home Care and Disability [SACS] Industry Award 2010 referred to in the submission. The second part of my question is: Do you think, as a result of this work being recognised as being undervalued, that will attract more males to this particular sector?

Ms TAYLOR: Equalisation of pay rates occurred last year to bring all social and community services workers to the same rate of pay, obviously, and equalise what had been a preserving award under the national WorkChoices legislation against the State award. There have not been any substantial pay increases flowing to the sector as a result of that. There would have been to a small group of workers, but not in any great respect. Fair Work Australia has adjusted its annual wage case adjustments into a percentage adjustment from 1 July each year, and that has actually seen some more substantial increases in base rates of pay over the last couple of years than had been the case previously. The equal remuneration order will not kick in until 1 December this year, and that is a 10-year flow with a total of around 46 per cent increase over that 10 years.

So I would expect it will be some time before we will see any dramatic change in the shape of the workforce, but there is no doubt that the prospect of a 46 per cent pay increase, coupled with changes in the modern award with higher classifications coming into being, will make this a more attractive place to work, and may see some more males coming into the workforce; but it may also attract women with higher qualifications. Part of the modern award is also about trying to encourage people in the workforce currently—obviously, the majority of women—to attain higher level qualifications to allow them to progress through that new classification structure. In New South Wales we have just invested approximately \$2 million on a three-year project through National Disability Services in partnership with the Australian Services Union and Jobs

Australia to build an education campaign and some training and development opportunities for workers to start thinking about how they can embrace those opportunities.

Ms ANNA WATSON: If that is the case, how do you think the non-government organisations and the government organisations will be able to operate? Will they be competing on wages that they pay rather than services that they provide?

Ms TAYLOR: We already have quite a collaborative approach with the non-government sector around recruitment and retention. We have had a substantial investment in New South Wales in shared technology on a platform called CareCareers, which is a marketing campaign to try to attract workers generally into this sector. It depends on the kinds of values that people want to take into the workplace, depending on whether they choose government. The evidence does not suggest that this is a pay-driven sector from what I can tell.

Ms ANNA WATSON: In your opinion, or in the opinion of any of you, do you think that that could become an issue with a non-government organisation and a government organisation competing in relation to wages they pay? Let us face it, a big part of the budget is involved in labour costs in your particular sector. That being the case, I have concerns that we are going down this path, or we are talking about going down this path. There may be the capacity for different organisations to compete on wages rather than services.

Ms TAYLOR: I suggest that that is already the case and has been for some time, but the change in the pay rates over the next 10 years will give organisations that may not have been willing to, or have not had the means to, enter into enterprise agreements that allowed them to pay higher rates of pay to offer comparable rates.

Mr J. MOORE: I will just add that the biggest challenge facing the non-government sector, not just in New South Wales but certainly for us in Family and Community Services, is growth. The requirement in the out-of-home care sector will be for it to grow 500 per cent in about five years. Disability is growing in the non-government sector to the tune of approximately 10 per cent a year. That would be my guess. It is doubling. It seems to have doubled in the last five years and it is anticipated to do so again over the length of Stronger Together Two. As you rightly point out, these services are actually people. Machines do not do this work. It is not capital work. It is actually human beings.

The challenge will be the acquisition of major new inflows of labour. There are interesting opportunities in the community services realm as to where labour may move around within the broader sector, but within the disability sector it is just growth. The core reason behind the National Disability Services CareCareers initiative that Ms Taylor mentioned earlier was the fact that the sector realised it could not acquire labour by poaching from each other.

Ms ANNA WATSON: Yes, which is what was happening.

Mr J. MOORE: And that it had to move to say: How do we draw labour in from outside to inside? Any one organisation could say, "I've got enough labour to do all the work I choose to do", but we know that we need more in total. We managed to broker under the auspices of National Disability Services a fairly decent arrangement where we now have 300 organisations that use CareCareers as the sourcing for their labour. That is enabling us to use an outwardly focused approach rather than an internal sector approach, and I think the maturity can grow on from that and equal remuneration order in the long, long run, appropriately implemented, provides an opportunity not just to recognise the undervalue of the work and rectify that but also to put it within an appropriate career structure.

But there will remain the competitive forces as to how other players will want to operate it. Some people may want to specialise with higher skill, higher quality services; others may not. That is where it becomes important to have both a greater empowerment of individuals consuming services to choose, to be a decider in this. It is their choice as to whether they want certain levels of service, enabling them to be well informed, which takes you to the second part which is the appropriate oversight mechanisms that do not constrain but also do not rob the client, the consumer, of valuable information about different organisations and how they are performing and what they deliver. It is very vexed in the Family and Community Services area because at heart why are you buying, let us say, a respite service? In part you might be buying it for tomorrow; you would like tomorrow to have some respite.

But you are also buying something that will make a difference for yourself or your son or daughter for the long run, and you are looking for information about how someone in this service will fare five years from now, 10 years from now. They become very important and challenging bits of information to acquire because we do not hold that sort of stuff now. But there is that swirl of issues and at heart, since it is all about workers delivering services, labour costs become an important part of it. I do not know whether I would call it the most difficult challenge for us but certainly it is one of the most difficult challenges in policy setting terms to be able to make sure you can get the right labour flowing into the sector because it is a problem that the Government cannot walk away from, even if it was entirely non-government delivered services or entirely for-profit delivered services, if there are no workers there doing the jobs.

Ms ANNA WATSON: Which goes back to your previous point, saying that it is no good looking at a computer; you need to look at the people and what skills they have and what training they need to be able to deliver those services. I guess this would go hand in hand with the IT issues that Ms Perry was talking about.

Mr KEVIN CONOLLY: I will follow up with a workforce-related question as well. A number of the submissions talk about the uncertainty created by short-term contracts and the barriers and high costs of continually tendering and meeting accountability requirements. Therefore the high turnover in the workforce is caused by people facing that uncertainty, coming to the end of their contract and thinking, "I need to jump ship and find something else". It is therefore about the funding mechanisms and the oversight mechanisms and how we can address that to provide greater continuity of service and stability of service levels. I guess particularly in rural areas where somebody might feel there are no other opportunities here, "I must make a decision soon because in this town I cannot get another job if this one does not exist anymore." Can someone comment on how we might progress down that track to provide greater stability?

Mr J. MOORE: There are a couple of things to bear in mind. First of all, one statistic—I do not want in any way to cast aspersions at some of the submissions that you will have heard; they are quite correct in caricaturing the problems that people are experiencing, that providers are experiencing. They are not arguing with that at all. That is not what I am about to say, but 87.5 per cent of the funding that we supply to the non-government sector from FACS is recurrent. It has already been tendered and it now just streams on and on and on. We tend to have three-year contracts but there are very few contracts that do not roll. There is this issue where you do see, particularly where there is growth in the non-government sector, service provision, be it Community Service or across in Disability, yes, there are a lot more tenders, but that is at the margin of the core. The core is very large and is recurrent and ongoing.

I think that the problem is, I do not think it is illegitimate but I think it needs to be cast in that context and cast with an eye towards the fact that we are growing and we are struggling to attract growth workers and indeed growth providers on the one side. On the other side, going back to 2007, with the precursor to the care careers, you had the problem or part of the problem you are referring to, I mean, I was hearing people who were saying, "I really like doing the work I'm doing in disability" and I am guessing they would be saying the same sort of things in Community Services, "I really like this work but I can earn more for my family packing supermarket shelves at night. So I owe it to my family to make the jump." That was partly the wage differential problem between what was being prepared to be paid in the broader sector and the non-government sector needed to be repositioned vis-à-vis the broader economy.

Fortunately in a way the global financial crisis changed the pressures and gave us some breathing space to try to reposition how we remunerate workers and how we acquire workers through the care careers type initiatives and so on. I do not know that the issue is so much exclusively around the tendering and the short-term nature of the contracts. I think it is about as much, which has been the push or trying to push very hard on why it is important to get in this whole environment solid peaks that in a way are not peaks as opposed to core industry associations that are able to stand with their members and help their members understand the challenges that they are facing and how they might manage to deal with the variety of risks and opportunities.

That has been the push that we started some time ago in Disability and more recently we have been working with ACWA in the out-of-home-care area to try to get them to a point where they are able to supply more industry association as opposed to representative type issues because there is a need to work with organisations to help them understand the challenges they face if they do not buy into some of these risks of staff retention. If you try to offload the totality of that challenge to saying, "Well, it is the Government funding responsibility", as an organisation you are probably not standing up as a good employer who is able to say, "Well, I'm prepared to commit to my staff and take on those risks." That is a challenge. I do not think it is easy to solve and I am not sort of casting aspersions at the organisations but being able to help them and that is

something that the Government is not able to do so much by itself as by someone such as an industry association or peak. We have to have organisations that can stand on their two feet and are prepared to take on risks and challenges and are prepared to back their staff.

Mr KEVIN CONOLLY: If I can add one other element into that, and I appreciate you putting it into that perspective but 87 per cent is a significant number. The other issue that emerged from those submissions is the question of timeliness of decision making. It may well relate to many of those that are recurrent contracts but they do not know about it necessarily until a fairly late period of time.

Mr J. MOORE: One of my challenges in Family and Community Services is to get a much better contracting arrangement but there is no doubt that, no matter how well we have done, we can do a lot better in these sorts of areas and that is in terms of how efficient we are at it and also in terms of our operation but also in terms of the relationships with other entities like non-government organisations that people want to contract with. I think it is highly compounded by the fact that our providers are working in an area where there are other government entities procuring. The Commonwealth is a major procurer of government services. So we are not all able to work on the same page so they do see a lot of inefficiencies which is just government dealing with them but it is not that easy to solve inter-government stuff. The Commonwealth has a very fixed view about how it goes about doing a lot of procuring that does not seem to have the same degree of partnership concept underpinning it as I think we need and that creates some inefficiencies and complications for the non-government sector dealing with us.

CHAIR: That leads us into funding and compliance and not-for-profit and profits, and relates to fee for service as well. Once it becomes a for profit the service becomes the issue in relation to the skinny margins required to make the business viable and sustainable. That is part of the whole workforce, part of funding and compliance in relation to issuing contracts, as you spoke about. Page 32 of your submission says:

A one size fits all approach to contract management is unlikely to eventuate due to the diversity of the sector and the requirements set by legislation, including legislation under which providers are incorporated. However, consistency in how funding and supports are delivered to the sector across all agencies, including need for robust controls over the use of public resources, will be a priority.

Mr Ardler, can I ask you for your thoughts on providing that consistency with perhaps a star rating system and an accreditation system for agencies that are looking to deliver services through government funding, and how that can be managed through a star rated system?

Mr ARDLER: I suspect I am not the best person to respond to that. Aboriginal Affairs is not a service provider nor is it a service funder. Our role is to provide an advocacy role, a voice of Aboriginal communities in to government at a strategic policy level. We are not accustomed to dealing with star ratings or accountability frameworks as such.

CHAIR: I appreciate and understand that but in terms of governance? There would be a governance factor in relation to contracts that were part of the service delivery? If it came through Family and Community Services your department would certainly have a role to play in what you would like to see, and the many organisations involved with Aboriginal Affairs and government agencies across the board?

Mr ARDLER: I guess I can reflect on the sorts of things we have heard as part of the ministerial task force process that has been underway for nearly a year. We have been consulting with Aboriginal communities quite extensively. Some 1,700 people turned out to 14 consultations we ran earlier in the year, which is a significant number. Certainly governance and accountability are top of mind for Aboriginal people. People were concerned about a lot of the issues we have talked about this morning. There are multiple providers providing often a similar or the same services often funded by different agencies, be it State or Commonwealth. Communities were very concerned, I think, about who is providing particular services, whether they have the cultural competence, whether they have the relationships within communities to provide those services. All of these things meant that communities often were not accessing the services that were available, had no sense of ownership of those services and therefore a lot of those services were not having the impact that one might have hoped.

The call we were getting from communities very much was that Aboriginal communities want to have a greater say in the services they get, how they are delivered and who they are delivered by. From our agencies point of view, we will be working more closely with those communities to develop their capacity to have that greater say. In many ways we have taken the view that getting services right, be it direct delivery by agencies or

outsourcing, is the concern of those agencies. Our role really is to support those communities to better identify their needs for themselves and then to hold service providers to account for the delivery of those services.

CHAIR: Given your comment in relation to duplication in some areas—the left hand quite often not talking to the right hand and silo mentality across some sectors—what are your thoughts on a one-stop shop that would sit ahead of those departments putting out tenders so non-government organisations, not-for-profits or privates would come to this one-stop shop where they would then have a database of those agencies applying for funding in certain areas so they are not meeting five or six departments from the one agency, thus avoiding some of that duplication. So, a one-stop shop so to speak, before it gets to those departments. What are your thoughts?

Mr ARDLER: The first thing I would say is one message we get very clearly is 'no more one size fits all'. Whether that is a one-stop shop or other, no more one size fits all, no two communities are the same. Having said that, there are some initiatives under way that go some way towards that. The Government's recent announcements around connected communities where the school becomes a hub, to some extent is about streamlining the way those services happen and we ensure those services are there, the right services at the right time to the right client. Similarly, in a lot of smaller remote communities people talk about the notion of service hubs where people know if they go to that place on a particular day that services will be there or they can get hold of those services. Clearly, the message we have been getting is the community wants to be part of the solution, not have another solution imposed on them, whether it is a one-stop shop or otherwise.

CHAIR: The one-stop shop could also be a tender process hub where they come through this tender process hub so everybody knows what funding arrangements and what department has been targeted by a particular organisation. It may streamline and remove some of the duplication. Thank you very much.

Mrs BARBARA PERRY: A lot of criteria are required, including monitoring and capacity. What I am particularly interested in is the role incentives will play in performance and delivering performance and delivering outcomes in each of the agencies and what those incentives might look like. Are there any current examples in the out-of-home care regime that we have just recently seen of incentives that have been put into contracts or funding agreements to achieve those outcomes? I would like to know for each of the agencies. If we could start with Community Services if that is possible?

Mr J. MOORE: The incentives in broad, not simply in financial terms, are an important part of contract reform in two different ways. One, they will help to clarify what are the outcomes you are seeking, what are we all working towards and, secondly, what has come to my attention as one of the downstream benefits of the social work that has been done in the United Kingdom is that it really has focused attention on just what it is that you are going to measure and how you are going to measure it, and get that very clear. The enormous amount of work done in that area helps you learn better how to measure. I think that incentives, perversely, are extra, and incentives you earn extra benefit as well in being able to get clear what we are all aiming to achieve.

In Community Services, the contracts that have been put in place as part of the transition have focused on incentives around permanent placement. Where someone is in out-of-home care, the objective of trying to get into some alternative permanent arrangement is a highly desirable thing in some circumstances. That requires additional effort on the part of providers to do that quite often, so trying to get some focus around that is important.

Mrs BARBARA PERRY: What does that mean though, in the sense of what will be provided? If certain targets are met, for example, what is the incentive for you?

Mr J. MOORE: I will come back to you with a precise description of what that looks like. But it is one example that will be looked at. Just before handing over to the others—just to pinch Mr Longley's patch once more—that shift to an individualised funding regime, to a more person-centred approach, brings a different realm of incentives in determining what it is that people want. That shifts the dynamic away from the old-fashioned contract-with-incentive-built-into-it type approach. That is a different avenue that we will go down. It takes us back to the point behind our submission that Mr Anderson was referring to earlier, which is that we are not looking at the stuff from a one-size-fits-all approach. It is about what would work best for the piece of policy that we are trying to deliver or the problem that we are trying to solve. Incentives have their place but they are not the obsessive end of every single exercise.

Mrs BARBARA PERRY: Before we move on, I will ask you a follow-up question. Are you able to talk about any incentives in housing arrangements? We will move on to that in a second but following on from what you are saying in disability and in community services what, in fact, are the incentives? If targets are met or outcomes are met, what will the incentives look like? Does it mean an increased amount of funding to the organisation? What does it mean?

Ms TAYLOR: I can give you an example in Ageing, Disability and Home Care. Red tape production has been a big issue in the grant space for many years. We have incentivised improvements, created incentives for providers that can demonstrate to us that they have in place a particular level of management control around their funding and their organisation generally. If they hit those benchmarks, we offer them an output-based acquittal model which allows them, not to provide us a blow-by-blow acquittal based on the spending against each service but to give us a global acquittal that is based basically on outputs. There is no question about retention of any surplus funds. The contract allows them to roll those surplus funds back into the services for ongoing delivery and their outputs are adjusted accordingly. They get a red tape production benefit but they also get maintenance of what they have been able to maintain through efficiencies in their operation that they have demonstrated through the achievement of those benchmarks. Ongoing roll-out through those contracts into services is one example.

Mrs BARBARA PERRY: So what might incentives look like? I only use that of Home Care as an example because that is currently where we are heading and it is important in relation to knowing to where the sector will devolve. So what will incentives look like under the proposed funding agreements or contracts in relation to out-of-home care, given the example we have just been given?

Mr J. MOORE: With the exception of the adoption one—which I will get you some details on—we do not have whole-scale incentives running through our contracts, the contracts are about delivery of specified sets of services. But incentives, there is the regulatory reduction style of things, which can be in the form Ms Taylor just identified and Mr Anderson was talking earlier, about star-type systems. They are ways, whether you have a specific star or not, of aligning where you have proven you have reduced risk, then we incentivise things to reduce risks by reducing burdens that get placed on people and reduce the requirements for people to go through various hoops. So there is that whole form over there of the way incentives can wash through the system. Or they will be in terms of how you may address achievement outcomes where you would say there is a form of incentive in the systems.

Take our Transition to Work program in the disability area, we do not withdraw funding when a client is placed in employment, until the end of the contracted period. So there is an incentive, of sorts, to place early because that means there is a lower outlay that gives you more resources to spend on other activities. There are the financial triggers of those things, which are classic incentives. In a lot of these areas the incentives are not the reasons why people are providing these services and I would not like to think that the Transition to Work providers are greatly motivated to pay differently because there is this way of funding their contracts. That goes back to the heart of the non-government sector and the value to government of their mission approach or their value set that aligns. We have not done any research like this but the research that was done, as part of establishing care careers, made it clear that while there is a point at which income matters, people do not work in the sector for the money and we have to be very careful that we do not set up an environment where we are putting financial incentives in place where they are not actually the thing that matters most.

Ms ANNA WATSON: Would accreditation be part of an incentive, do you think?

Mr J. MOORE: Accreditation has become an important way of trying to reduce regulatory burden and inasmuch as you have got to manage certain risks, where an organisation has proven that they have got the systems and things in place, we can rely more on accreditation and up-front ticks and allow people to then prove themselves, inasmuch as we can make sure we have the right information flows for clients. Coming back to your question, inasmuch as we can get the right information flows to clients so they can make well-informed choices, we get back a different form of the incentive thing which is what we are trying to do in Disability. We are enabling the client to make the choice of the provider and delivering what the client wants. They know that is the case; they go elsewhere and no further incentives need to be entered into. That is the way we look at that particular setting.

Mrs BARBARA PERRY: We did not get to Health or Housing. Could we come to that question?

Dr HAMMETT: I am not sure I have much to add from a Health perspective. Perhaps the only comment would be that, as we move forward with our State funding model more into a purchaser/provider relationship and as we are introducing appropriate accountabilities into our funding frameworks or enhancing the existing accountabilities, there are certainly opportunities for us to purchase more services from those providers that are delivering the best outcomes. So the incentive for providers becomes the measure of the success of the service that they deliver, leading to further service provision.

Ms PARTER: It is probably similar in Housing. We do not explicitly provide incentives to the non-government community housing sector. The contract framework allows it but we have not gone there. It is more about access to further resources and ongoing funding opportunities, in particular the transfer of housing stock, if that were to eventuate. It is typically, in the Housing context, in the maintenance arena which is about contracting out to maintenance contractors that are private providers of maintenance services. That is the domain of the Department of Finance and Services and it is also operated in a public-private partnership [PPP] context, for social housing PPPs, but it is not an explicit thing. There are some thoughts about trialling it in the homelessness sector as well—with the reforms to the specialist homelessness services sector—trialling some form of incentive for specific budgets.

Mrs BARBARA PERRY: What might that look like?

Ms PARTER: For example, there is a tender out at the moment for something called a rapid rehousing project. It looks at a relatively small cash incentive around the rates of rehousing and how quickly people are housed by those services.

Mrs BARBARA PERRY: That is something that you referred to, Mr Moore. You talked about financial triggers not being the only way but are there any financial triggers in relation to the Out-of-Home-Care transition?

Mr J. MOORE: At this point, the explicit one is around adoption, permanent placement.

Mrs BARBARA PERRY: And what is that?

Mr J. MOORE: I would not want to try and give you any high level understanding until I get the precise details.

Mrs BARBARA PERRY: And out-of-home care generally in relation to permanency placement and restoration?

Mr J. MOORE: I am explicitly referring to that. That is the one that has been embedded in the out-of-home care contracts.

Mrs BARBARA PERRY: Will you get us some information on the financial triggers?

Mr J. MOORE: Yes. I will get some detail.

CHAIR: We received a submission from the Combined Pensioners and Superannuants Association that talked about a star rating system. It has touched a little on levels of competency and how you measure outcomes from those providers that are seeking to do business with the Government. Firstly, is there an appetite for a star rating system and, secondly, that there be a head of all those departments so there is no duplication of funding handed out to service providers so that they are not hitting each department unbeknown to the other departments? So, is there an appetite for a star rating system relating to level of competency; is there a department or a location where people will go to first and then get fed out to ensure there is transparency and accountability in funding applications to government departments?

Dr HAMMETT: Consideration would have to be given to the purposes of the star rating system if it is to produce transparency and accountability, and being mindful of the need not to impose an undue regulatory burden on the sector. It would have to be a very well designed accreditation scheme, which is essentially what you are talking about with a star rating system. In Health, many of our community and non-government organisation sector providers are very small organisations working in small rural townships. They may have one or two staff working across a large geographic area. The applicability of a star rating system that can deal with

large multimillion-dollar, highly sophisticated NGO sectors at the same time as dealing with those one- or two-person operations in a small rural community presents significant challenges.

Ms TAYLOR: I would have to agree. I think you would have to look at the purpose of a star rating system and what it would give. If the purpose is to give information to people and to government, there are a range of different ways you can do that that cater for the diversity in this sector and also for the needs of different styles of community. As Mr Ardler was suggesting, one community's star might not be another's. There is subjectivity in quality and service and also the styles and different offerings that providers deliver in different communities may not be palatable in other places. There is a lot to be said for some community input into people's experiences with different organisations and their offerings but in a way that allows those people's experiences and the communities' experiences to be comparable.

CHAIR: That could form part of their accreditation.

Ms TAYLOR: It could be and it is similar to one approach that we are taking in Disability where we are looking at existing accreditations that providers have, recognising that they do a lot of other business apart from what we fund them for, and combining that with other mechanisms for feedback.

Mr J. MOORE: Very briefly, the issue around rural and remote is a very significant one. I will not elaborate any further on that. Secondly, I make a point I made earlier: it is not to say that what the submission is saying is incorrect. When you see the depth of data we can see it is easy to get a different perspective from that of some people who are dealing with particular issues. Of the 2,000 organisations that we fund only four get funded by the three parts of Family and Community Services. The question of interaction and one person coming forward to deal with one entity and then coming across to deal with Community Services—there is not as much of that going on as may first seem. That is not to say it is not worth doing and it is not where you want to go, but in terms of hitting the mark it may not be the next most important thing to do for efficiency. It may be in terms of client information and risk management-type purposes. Finally, and I am not across this, it would be worth knowing where the Commonwealth is landing its star-rated system in terms of the jobs network and the links that were found between the jobs network and outcome-related payments. I only have the benefit of what one sees in the newspapers but it did not portray itself as something that was without a lot of problems.

Mr LONGLEY: I do not have anything to add to those comments. The one-size-fits-all makes a star rating system difficult particularly when you are looking in governance terms at very small organisations and very large organisations with much more sophisticated capabilities. Getting a uniform system which conveys additional information is I think quite limited.

Ms KING: I would probably agree. The thing to bear in mind in a housing context is that we do not put out a lot of recurrent funding every year. The services are operated by virtue of rent they collect on houses that they manage, so in the housing context it would be an entirely different thing. The only other comment I have is that it would be worth seeing where the Commonwealth thinks it is heading with the Australian Charities and Not-for-profits Commission because I do not know that we want to duplicate that at a State level.

Mr ARDLER: I do not think there is anything new for me to say. I reiterate that what we have been told is that communities want to have a direct input into what providers are providing services to them. Often the sorts of things that they would hold as particularly applicable are those relating to local relationships and cultural competencies and those sorts of things. They are things that would be difficult to measure at a bigger level. Often the sorts of organisations that we as government find it easier to deal with are not the sorts of organisations that communities want to be dealing with, so I think that would be the challenge.

Ms PARTER: I do not have anything further to say.

CHAIR: Thank you for appearing before the Committee. We know your time is valuable and you are very busy people, so we appreciate your time and the effort that went into putting a submission together. It has been most enlightening for us and we thank you sincerely.

(The witnesses withdrew)

ADAM JOHN MARSHALL, Senior Vice President, Shires Associations of New South Wales, sworn and examined:

MARGARET ALEXANDRA KAY, Senior Policy Officer, Ageing and Disability, Local Government and Shires Associations of New South Wales, affirmed and examined:

CHAIR: Thank you for appearing before the Committee today. 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. 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 be made public: Are you happy to provide a written reply to any further questions?

Mr MARSHALL: We would.

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

Mr MARSHALL: Yes, Mr Chair. On behalf the Local Government Shires Associations [LGSA] of New South Wales thank you very much for the opportunity to present before you today. As the peak association representing local government in New South Wales we recognise that people have the right to quality facilities, services and programs that support and enable them to remain living in their own homes and active within their local communities.

The views expressed here today are based on our policy positions as an organisation, policy statements, resolutions at our various conferences and the collective experience drawn from our members—152 general purpose councils across the State. The views of individual council officers do not necessarily reflect the views of their councils—that is a given. Due to the tight consultation time-frame councils could not be approached. It should be noted that each council's experience will be different across the State due to location, size and resources. The Committee has heard that this morning from previous witnesses.

Local government generally has a significant and vital role to play in the provision of services to older people and people with a disability. Approximately two-thirds, or 98, of New South Wales' total 152 general purpose councils provide home and community care services with a total value of almost \$29 million annually. In addition, councils help and support locally based non-governmental organisations establish a presence within our communities: for example, by providing administration and office space at a significantly reduced rate. Councils also play a key role in helping local non-governmental organisations build their capacity to provide responsive services to ensure that the community receives the greatest benefits and support possible.

As the closest level of government to our communities over the years councils have witnessed a major shift away from many small community service providers within local communities to a predominance of larger more centrally located organisations. In what could be a potential correlation in this environment councils are often called upon to shore-up struggling services and fill the gaps when these smaller services founder. By outsourcing community services to non-governmental organisations there is great potential for locally based responsive solutions to be created for many at-risk groups in the community. For this approach to succeed however, a local presence supported by the non-governmental organisation's central office is needed along with collaboration at a local level with other providers, particularly local government.

Local government is better positioned to have a positive impact on service delivery than any other sphere of government because strategic decisions are made at a grassroots local level. Community service delivery can differ significantly from one area to another and that needs to be considered in relation to any consultation process. While outsourcing Government services is often motivated—quite rightly—by economic efficiency we firmly believe the best method to achieve optimal outcomes for clients must also be considered: indeed, it must be paramount.

The Local Government and Shires Associations view the key issues for a successful model of outsourcing government services in disability, housing and care to be: Firstly, a local presence; secondly, regionally equitable distribution of resources and services; thirdly, collaboration; fourthly, resourcing, which

accounts for the different cost of delivery in rural and regional areas; fifthly, value adding to local services; and sixthly, local capacity building. Mr Chair and members of the Committee, you have the Local Government Shires Associations submission so I will not go through the recommendations. Having presented those key points and our submission I would like to thank the Committee on behalf of the Local Government and Shires Associations for the opportunity to respond to the terms of reference of the Inquiry and make a presentation today. We are happy to take any questions.

CHAIR: Page 4 of the Local Government and Shires Associations submission states that it opposes the outsourcing of government contracted community services currently delivered by local councils. How do you see the role of local government being advantageous in the delivery of community services?

Mr MARSHALL: To qualify that remark, we would oppose the outsourcing of them away from local councils if there was not a sufficient provision made for those services to be delivered locally and for those six conditions that I went through to be satisfied.

I will start from the beginning. Involvement in the community services area, strictly speaking, aside from children's services is not what would be regarded as the core business or function of local councils. We generally get involved in these areas because we see a gap. The community demands these services to be provided locally and the councils step in to essentially fill the breach rather than the services being run centrally from places often outside of that particular region by organisations that do not have local knowledge, the capacity to generate social capital and build up a good volunteer base, and essentially provide a poorer service across the board than would be provided if a local agency stepped in. That is why councils step in.

There is no pressure, no financial benefit or any particular benefit to the council as an entity for providing those services. The benefit and the desire for providing the services is essentially a community one. Councils do not need to be in the area and, indeed, across the board generally would not be opposed to not being in that space, as long as that criteria were met and there were other agencies to fill the breach just as effectively.

CHAIR: Do you have an example of some of those services or agencies that local government is stepping into and assisting?

Mr MARSHALL: Off the top of my head, I do not. We can certainly take that on notice. In our submission, there are a number of examples from some of our councils that have provided specific examples.

Ms KAY: The examples provided are for regional areas like the Glen Innes Severn Council which operates home and community care and disability services across 13 council areas, and a similar thing happens in the Queanbeyan area, southern regional NSW, where councils have stepped in to provide services relating more to the home care and community-based care services rather than disability. They are the main areas in which the council has been active.

CHAIR: Do you receive funding to provide those services?

Ms KAY: There is some funding for those services, but quite often councils would supplement that funding by either providing administrative support or supplementing the salaries of staff involved in those services.

CHAIR: There is a breakdown in some centres of the service being available to the community and the provider—the council/government agency. There is a gap, and you are saying that in some instances councils fill that gap through their own resources?

Ms KAY: Yes.

Mr MARSHALL: That is correct. To elaborate, often when councils are the core provider of those services—and it must be noted, often councils choose to absorb some of those costs to ensure that the level of service is maintained or improved as the community's need and demand increases, and that does happen across the board. Again that is all in aid to provide a better service to the community. It is not something the council is required to do, but it needs to be noted that that does occur across the State.

Ms ANNA WATSON: Mr Marshall and Ms Kay, first of all, I acknowledge that you say in your submission that the Local Government Shire Association considers that the financial and admin capacity of non-

governmental organisations to deliver local services on the ground currently exist. Having said that, if there was to be an amalgamation of councils, how will this impact on the services currently being delivered by local councils, specifically in regional and rural New South Wales and how would those possible amalgamations affect those services that those particular councils are currently providing and what would be the percentage of work carried out in those rural and regional areas with those particular councils?

Mr MARSHALL: That is a very good question. Currently as it stands, largely it happens in rural and regional areas where a council in a particular region takes a lead role where they are the host or they deliver those particular services in a home or aged community care. They employ all of the staff, cover all of the overheads, run all of the vehicles, et cetera. The other councils come together in a partnership where they might provide space in their administrative buildings or community centre buildings that can house staff who are employed by the lead council.

If that occurs across a region and an amalgamation occurs, in theory it should not affect the delivery of those services at all. It is a seamless transition from that council that is the lead agency to then possibly a larger council, but the staffing structures and the systems that are in place would remain. There is no reason why that should change at all. There was a second part to your question which I have forgotten.

Ms ANNA WATSON: The second part of my question is how do you think charities or not-for-profit non-governmental organisations would be limited in their ability to deliver those services, specifically in regional and rural New South Wales?

Mr MARSHALL: It is tough for them because there are often not many of those organisations initially in rural and regional New South Wales and, if there are, they are small. The current construction of the system and how it works, and as we have seen over time, the funding arrangements are shorter term and the requirements are becoming more onerous in terms of staffing requirements. It is becoming tougher and tougher. In that environment where they are withdrawing, councils are probably getting more involved because we have more capacity than some of those organisations. It does get tougher and that is why we made those comments that some non-governmental organisations are now finding they do not have the capacity to do that. As that is occurring, in some areas of the State our members are getting more involved to ensure that those services are still delivered locally as much as possible.

Ms ANNA WATSON: What is an approximate percentage of the community sector or community services work that is currently undertaken by local government?

Mr MARSHALL: We can take that notice; we do not have those figures at our fingertips.

Mr KEVIN CONOLLY: I was interested in the aspect of the submission that referred to the relatively greater cost of providing some services in rural areas due to the transport issues involved. I want to take that in conjunction with the comments you have made about councils providing accommodation to services, often on a subsidised basis. Have you done the sums to work out whether providing accommodation at a commercial basis in a metropolitan area may in fact be more expensive than the provision of transport in a rural area? Have you done those calculations and combinations to work out which may be more expensive?

Mr MARSHALL: No, we have not. One, we have been constrained by time and the limited feedback received by our members in that time. It is a valid point. The obvious issue for rural and regional areas, geographically, is distance. Conversely, the point that has been raised is a valid one in terms of the cost of commercially renting premises in a metropolitan area. The point we were trying to convey is that even when a council is not responsible for delivering a service, there still is a commitment or a contribution made by local councils often helping to host those non-governmental organisations within their buildings within the community.

Mr KEVIN CONOLLY: Do you know how widespread their practice is? Do we have a sense of how many councils do that?

Mr MARSHALL: In rural and regional areas, most do. One, they usually have excess space; and, two, there is a recognition that councils also share a desire to see those services provided locally. That occurs often because we are a lot more amenable than dealing with a private landlord. As with the previous question, if you are searching for some concrete figures, we can take that on notice and supply those to you.

Mrs BARBARA PERRY: There was concern raised in the submission about a smaller provider perhaps not playing as large a role as they currently do, particularly in rural areas. The rationale behind that or that view—correct me if I am wrong—from your association is because you think that larger providers will have the infrastructure and the capacity as opposed to smaller providers. Is that the assumption that is being made in the rationale for why that statement was made?

Ms KAY: I think that is pretty much correct, based on the information that the councils who informed our submission made. Yes, they found that the larger organisations could have the capacity but not necessarily the local reach.

Mrs BARBARA PERRY: What are the concerns for your member councils arising from that? Can you elaborate on their concerns?

Mr MARSHALL: Certainly, and just to expand on Margaret's first answer, larger organisations have larger economies of scale and ability to absorb some of those overheads but also with the funding sometimes not being timely, they have the capital behind them to withstand that lag time in between funding agreements coming through where smaller organisations would not. Larger organisations have some benefits with flexibility or innovation but our main concern with that is just the fact that they are not local services; they do not have perhaps the same ability to generate social capital and volunteers and get buy-in from the community. They do not have the local knowledge. There is nothing better than local people receiving a service; actually having that service provided by people that they know and people that they have known for years. Our members use it as a correlation between local service delivery and better outcomes for the clients. That is certainly our focus and the focus of why councils get involved in the first place; to keep services as local as possible within whatever the constraints are.

Mrs BARBARA PERRY: I note you were here this morning, and I think you were here too, Margaret.

Ms KAY: Yes.

Mrs BARBARA PERRY: Building on that response, we heard evidence today of the for-profit sector increasingly being brought into these service delivery programs operated by the agencies represented here this morning. Do you hold any concerns in relation to the for-profit sector as opposed to the not-for-profit sector increasingly becoming involved in service delivery, bearing in mind your earlier answer to me?

Mr MARSHALL: I do not think we have seen any evidence that would lead us to believe that they provide less of a standard of service than local councils or anyone else in the non-government organisation space. Our concern largely would be, whether profit or not for profit, just the centralisation of those services and taking them away from a local community where you lose that local expertise. But to balance that out, we recognise all governments have a responsibility to make the most efficient use of taxpayer dollars as possible, but that needs to be balanced, in our view, with the needs of the clients. That is where we see local services, provided they can be provided efficiently, being more beneficial than a centralised service, regardless of whether it is private sector or not-for-profit running that service.

CHAIR: Earlier you stated that local government would prefer not to be in the space of providing services in relation to what we are talking about now.

Mr MARSHALL: I did not say prefer, I said we—sorry, I will let you finish your question. Sorry, Mr Chairman.

CHAIR: —prefer not to be in the space of providing the service and filling that gap because you have other roles to play in terms of local government roles and responsibilities. Given that recommendation 5 in your submission states, "local government support for NGOs at the local level needs to be recognised and resourced", do you see a role to play for local government on the back of recommendation 5 to enter into that space and start tendering for some of those services that are already provided so you are adequately resourced?

Mr MARSHALL: Just to clarify what I said at the start, it was in response to a question in relation to page 4 of our submission where it says quite clearly, "Local government in NSW has a long history of providing services directly to the local community, for example in child care and seniors services. In order to ensure the sustainability of quality services in the LGA, many councils would not wish to outsource these services to

NGOs." The purpose of my opening remarks was to simply say that often the only reason local councils are in this space is to ensure that those services are provided locally for all the reasons that I listed.

If there were local organisations that could provide a quality service of equal standard or better that fulfilled all of that criteria, then local councils would not necessarily want to be in the space just for the sake of being in there because beyond the benefit to our local communities there is no tangible benefit, in fact often quite the opposite, for local councils to be providing those services. In terms of recommendation 5, all we are simply stating there is: even when local councils are not delivering a service—whether it be Home and Community Care or whether it is another non-government organisation doing that in a local community—often the local councils still make a contribution by subsidising the rental of premises. We are just saying that that support needs to be recognised, acknowledged and resourced. Whether that is again through the tendering process or other means, that is our position. That is probably getting into an area outside the realms of this Committee.

CHAIR: Thank you for clarifying that. You have stated that sometimes there is a gap that opens up, through no fault of local government, but that you very kindly fill that gap. Do you see the need then for a strengthening of the tendering process in government contracts to ensure there is long-term sustainability, viability and competency in some agencies that apply for those contracts so that they do not fall over, particularly in regional and rural areas where quite often they will be the only service provider from very small agencies?

Mr MARSHALL: Yes, definitely. Clients need consistency and assurances that the service will be there. There is nothing worse than having a service fall over, having another service provider come in and they fall over and then another one comes in. That is a very poor outcome for the clients. We would definitely support, as we say in our response and recommendations, more assurances that services will recognise the fact that needs are different in different rural and regional communities. Sometimes the cost of delivering those services is different as well hence there needs to be flexibility for those services to be tailored to meet those individual needs, regardless of who provides those services, so yes, wholeheartedly. Did you want to add anything?

Ms KAY: Actually I do have something to add. Quite a few of the councils who contributed to the submission mentioned that there is an opportunity for State Government to take advantage of the local knowledge that councils have in terms of how service providers actually interact with the community currently and that that information could actually inform the tender process in terms of knowing how well an organisation might currently interact with the community.

CHAIR: Part of an accreditation process, one might say?

Mr MARSHALL: Accreditation or almost like a reference check, in the way of saying, "What is this organisation's relationship with your community in your opinion as the local government authority? Would they be a good provider and fulfil these obligations?"

CHAIR: Absolutely.

Ms ANNA WATSON: Clearly you do not support the New South Wales Government's plans to reform Family Community Services as your submission outlines. In your opinion, how would the New South Wales Government be able to assist local government in ensuring that these services that are now provided by local government—and it does happen in most councils and we all know it is a growing sector; we have certainly moved away from rates, picking up rubbish and those sorts of things in local government and, like you said, the community now depends on local government for many services—continue to be provided by local government and what would your plan or framework be for that particular sector to grow within local government?

Mr MARSHALL: I will offer a few thoughts and then pass the question to Ms Kay. Given what I have already said, local government is happily involved in the area. What we are all talking about is funding. Provided the funding remains consistent with the cost of delivering the service, local councils will be happily involved as long as there is no need to cross-subsidise from our general rate income to keep those services going and to maintain the standards to which the community has become accustomed. There should be capacity within the funding to improve that service as demands and expectations grow. That is a problem for government across every service delivery sector. Again, where local councils are involved, we are involved where we need to be

involved, and usually that is the extent of it. We are not here to say we want to be more or less involved. I would not say that we have a plan to grow our influence in this area. If we need to, we will, but essentially it comes down to funding. As long as the funding is adequate and there is no need to cross-subsidise to maintain service standards, we are happy with that.

Ms KAY: Local government's role is very important in terms of coordination, knowledge and information for the local community. It currently does that role in the ageing and disability sector in terms of helping the community to navigate the system. At the moment the State Government partially funds ageing and disability workers in about 70 councils in New South Wales

Ms ANNA WATSON: Out of 152.

Ms KAY: The gap is in the regional areas—most of those councils are metropolitan councils. That role of providing information and helping the community to access the service system is very important. With the growth of the Ability Links program, that role of helping the community to access not only disability-specific services but also mainstream services that councils often provide is also important. There could be more funding for local government in that area.

Ms ANNA WATSON: If rate pegging did not exist would that help the community sector within local government to operate more efficiently or better?

Mr MARSHALL: Removal of rate pegging would help in a whole lot of areas.

Mrs BARBARA PERRY: I do not agree.

Mr MARSHALL: I note that we have a former Minister for Local Government on the Committee. We have talked about this ad nauseam. Anything that improves councils' resources would be of benefit. It may increase the capacity of councils to attribute more of their general rate income to these areas. Again, I would argue that if councils are providing a service on a contractual basis or on behalf of the State Government then those services should be completely funded by the State Government and we should not welcome cost shifting.

Ms KAY: The one area where there is also an opportunity relates to the pensioner rebates for council rates, which are currently not reimbursed to local government. Addressing that gap in funding could improve services in this area.

Ms ANNA WATSON: Thank you for adding that.

Mr KEVIN CONOLLY: On page 9 of your submission you argue that the competitive tendering process engenders disharmony and conflict by pitting community organisations against one another. What kind of model would you propose for the appropriate allocation of funds to avoid the problem that you have identified given that you must still ensure accountability and build partnerships?

Ms KAY: This is a very difficult issue. The councils that provided information about this area were concerned about the impact on the potential to plan and to understand properly the services that exist in an area. If there is a proprietary holding of information and knowledge about how effective a particular service is in an area by one service provider it does not help the community as a whole to have that competition. I am not sure that we can offer a solution.

Mr MARSHALL: In short, we do not have a solution; we were hoping the Committee would come up with one. However, it does create a problem, especially in smaller communities where it benefits everyone to share things that work well so that the whole community can benefit and the way we deliver our services improves. We communicate better and do not have a silo mentality. In some areas competitive tendering encourages organisations not to share any information. They keep all the good things and secrets to themselves. That is good for them, but it has a detrimental effect across a community in terms of overall service provision. Quite naturally, they are worried that if they share a secret it could be with a potential competitor who might win the next tender and they will miss out. That might have implications for the financial viability of that organisation and so on. We are simply highlighting an issue that was raised by many of our members. I am sorry, but we cannot offer a solution today.

Mrs BARBARA PERRY: I refer to the funding models that are part of the Inquiry, enhanced capacity building and social integration in the delivery of services by local providers. We know that local councils provide non-government organisations with a range of administrative supports, coordination and also buildings, sometimes at nominal rents. They also provide education and general advice. Your submission recommends that local government support for non-government organisations at the local level be recognised and resourced. How could local government's support role be accommodated within the funding models? You may not be able to provide an answer now, but you can take the question on notice. It is difficult, but it is not simply an acknowledgment that this is what local government does. It comes back to cost shifting and all those sorts of things and how you see a funding model incorporating that.

Mr MARSHALL: We might be able to take that question on notice and develop something in a bit more detail. It is an issue. Our members do it and do it quite freely, again because of the community benefit. We view it as part of our role as the local authority to provide that support. While some members do it, some struggle to do it. Some are also really keen to cost it and some just absorb the cost.

Mrs BARBARA PERRY: Obviously some metropolitan councils are in a far different position from that of rural and regional councils. I am interested in whether you believe the funding model should look different in rural and regional areas as opposed to metropolitan areas. From my experience, it is far different. Please take that on board when you are looking at that issue

Mr MARSHALL: Yes.

Mrs BARBARA PERRY: On page 15 of your submission you highlight a significant challenge in the current tendering process, which contains no incentive to integrate across various categories of need such as child protection, mental health, social housing and education. What is the source of that? Where is the evidence for that? What is the rationale behind it? The submission refers to the competitive tendering process which favours larger organisations. Where do you see incentives fitting into that? Are you saying that incentives there are not appropriate or are you saying incentives are appropriate? I was not quite clear.

Ms KAY: In regard to the part G incentives, some councils commented that smaller organisations are not incorporated so they have to have an incorporated organisation do the tender process for them and they are sometimes charged a fee to do that, which adds to the cost of their application but also it is sort of an invisible cost in terms of government but a real cost in terms of a small organisation being able to provide a service. That is where that came from.

Mrs BARBARA PERRY: So you are not making a comment on whether there should be incentives built into funding models?

Ms KAY: No.

Mrs BARBARA PERRY: It was a more generic comment around incentives?

Ms KAY: Yes.

CHAIR: I am mindful of time. A last question—and it has been touched on this morning with the departments—in relation to providing appropriate salaries for workers in this sector that may or may not contribute to some of these organisations; they have a pilot program, they get fired up, fantastic, they bring everybody along and when they get the contract they find that the margins are very skinny and workers are receiving the wage as set out and they find it very, very difficult to maintain that level of service. Your recommendation 7 for proposed salary increases, how vital do you think that is to maintaining a service for an organisation across New South Wales to make sure that that level of service is maintained as per the contract? Do you think it has a role to play?

Mr MARSHALL: I think definitely it does. As we say in there, a number of our members have expressed difficulty in attracting appropriately trained and qualified staff. It is not just a matter of wages but also the fact that often if you only have a contract for a period of one year or a period between one and three years it is hard to say, "Come and work for us. You can have a job for 12 months but we are not sure if you will still have one after that". Combining that with the other factors identified in our submission, it can be tough sometimes and, again, the further west you go the more isolated and that difficulty increases astronomically.

Ms KAY: The only other thing that some of the councils have mentioned is that the not-for-profit sector has the fringe benefits, tax benefits for staff. So that is something that councils quite often cannot compete with in terms of salaries.

CHAIR: There are a number of tax incentives across the board which assist those not-for-profits as opposed to profits, which does make it difficult.

Mr MARSHALL: And councils probably have in some areas advantages that other organisations do not, because we already have established payroll and HR and all of those things which those organisations do not have. So while there are disadvantages for us, in other ways there are advantages as well that have to be acknowledged.

CHAIR: There are no further questions at this point. Thank you for appearing before the Committee today. We certainly do appreciate your time. Please take it back to your organisation that we thank you for your submission and the time taken; it has provided us with valuable input in terms of being on-the-ground and those front-line services and the intermediary in filling that gap at times.

(The witnesses withdrew)

(Luncheon adjournment)

LARRY JOHN PIERCE, Chief Executive Officer, Network of Alcohol and Other Drugs Agencies, affirmed and examined:

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 be made public. Would you be happy to provide a written reply to any further questions?

Mr PIERCE: Yes, I would.

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

Mr PIERCE: No, not necessarily. We have provided a submission and I will rest with that. I do not have anything further to add.

CHAIR: Thank you very much, Mr Pierce. Your organisation considers that small to medium sized non-government agencies with annual budgets between \$300,000 to under \$1 million have been disproportionately impacted by changes in regulatory environments and compliance costs. Are you proposing a two-tiered funding system to accommodate differences in organisational size and structure in an effort to introduce greater equity?

Mr PIERCE: No, we are not exactly proposing that. It has been the view of the board of the Network of Alcohol and Other Drugs Agencies [NADA] for many years now that increased accountability requirements by government funders, particularly in NSW Health in the case of the organisations we represent, while we do not disagree with the need for full accountability and for compliance with regimes like accreditation, safety and so on, increasing governmental driven compliance requirements have not been accompanied by a resource consideration in the way grants are given. So the disparity that we see really is not about a small organisation of \$300,000 a year versus a large organisation of a million plus a year, but rather that the funding streams that are provided by government take account of the need to meet the compliance regimes, particularly for accreditation. That is something that came into our sector early in the 2000s, particularly after the 1999 drug summit in New South Wales. That requirement has been met but the resource constraints on budgets that have not reflected those increasing costs are what we are referring to.

Mr KEVIN CONOLLY: On page 3 of your submission you talk about NADA being aware of many cases of compliance burden and the need for multiple accountabilities, if you like, for each separate activity. Is this where an agency gets a tender or whatever for a service in different localities providing the same service in different places and has to report separately each time? Is that what you are talking about?

Mr PIERCE: Sort of. Grant holders who provide drug and alcohol services that we represent over the last few decades are in receipt of multiple service contracts, if you like. A core historic grant under the old non-government organisation [NGO] grant program, funding streams that have come up delivered by government shifts and changes in drug and alcohol policy—the drug summit period is a good one, and then the 2003 alcohol summit is another good one, where new tranches of money were made available for essentially drug and alcohol treatment service delivery and have been accompanied by their own contracts. The story there is an agency providing a residential rehab service might end up having four or five specific contracts for bits of the service delivery that all have the same kind of reporting requirements with them so that the burden of multiple contracts for the same kind of service delivery has not really been addressed in government contract reform.

Mr KEVIN CONOLLY: Are these contracts all with the State government agencies?

Mr PIERCE: Predominantly, although there are some with the Federal government through its department.

Mr KEVIN CONOLLY: In your case are they primarily health department funded?

Mr PIERCE: Correct.

Mr KEVIN CONOLLY: So it could well be that the health department is giving out two or three different bits of that and they are not reconciling themselves to a single contract?

Mr PIERCE: Correct, although if I could add the current administration in Health in line with current government policy is reviewing the NGO grant program in Health to do just this: to bring together multiple contracts into a single head of agreement, simplify performance reporting and simplify compliance and burden reporting, if you like.

Mrs BARBARA PERRY: I would like to talk about funding models and what they might look like. As government continues to devolve some service delivery components to the non-government sector, in your area of expertise and speaking on behalf of your department, in your submission there was reference made to quality improvement programs in the health sector at page 3. One of the issues raised there was a reduction in advocacy more generally as not being part of the funding of contracts or part of the contracts. How do you think that can best be addressed?

Mr PIERCE: By advocacy we particularly refer to advocacy on behalf of the patient in relation to service delivery and in relation to patient needs. I must say the experience with NSW Health funding has never really been one where advocacy has been jumped on. What we are referring to there is that the role of organisations that are providing treatment services to people with very high complex needs does in fact require a fair bit of advocacy for service level outcomes. So that is the advocacy framework we are talking about, not a policy framework.

Mrs BARBARA PERRY: No, I understand that.

Mr PIERCE: That work is not really very well recognised, although I must say there is now some better recognition within the Ministry of Health of the need for system level advocacy and we appreciate that. But the point we are making there is that for organisations to do that kind of service level advocacy work for clients it takes quite a lot of resources. We see that as part of frontline service delivery, particularly in our sector where we have got multiple high need kind of patients. Substance dependency, intellectual and physical impairment and mental illness are the big three. That requires a fair bit of system-wide advocacy to meet those patients' needs. That work is intensive and ought to be factored into part of the cost of service delivery.

Mrs BARBARA PERRY: That brings me on to the next point: how best to do that. More importantly also highlighted in your submission is that government tenders have outsourced risk but not paid for it in the tender price. That is implicit in what you are saying with respect to advocacy. How best can that be included in funding models, and then translate that to what performance outcomes you are seeking as well?

Mr PIERCE: That is a good point because those two should always be intimately linked. I think that the model of funding up to the present has really focused on the purchasing of particular things—like episodes of residential treatment, for example, or episodes of withdrawal management or detoxification, to take those two instances—that have only focused on the actual provision of a bed or the provision of a place in a service for X amount of time to complete detox, if you like, without factoring in a whole range of assessment of the complex needs. But, in particular, what do you do with that person once they have finished the period of withdrawal management or detox, or they have finished a period of, say, 12 weeks in a residential rehabilitation setting? We know from the evidence that relapse is very high in drug and alcohol treatment. People can do quite well in a treatment setting but can relapse fairly quickly once the intensive period of treatment has finished.

We have not really had the recognition in the past of the resources that are linked to the treatment which will then provide for step-down care, or continuing case management after leaving an intensive period of treatment whether it be a residential rehabilitation or a detox or both, and a lot of them are both. The funding model has only ever really focused on the provision of the direct bit of treatment and not the kind of additional resources that are necessary to make sure a person can be cared for immediately post-intensive treatment, which is the difficult period. Agencies have had to leave people go without having the resources to be able to follow them up for a period of time to ensure that they are integrating well back into the community, that they have particular social supports around them, and that they have ongoing case management after the intensive treatment period because it is a chronic relapsing condition.

Mrs BARBARA PERRY: You would argue that that should be linked to how funding is looked at.

Mr PIERCE: Correct.

Mrs BARBARA PERRY: And to how models are looked at, and also to the outcomes that are required.

Mr PIERCE: That is correct. In particular in relation to outcomes, you can get—and we do have a lot of good data now from service contracts that show this—significant changes in the right direction when people are involved in intensive treatment programs. You get basic improvements in health, but you get improvements in terms of reduction and cessation of drug use, and you get improvements in terms of reconnection with family, you get improvements in terms of connectedness back to either training or employment—those major kinds of outcome that we are after. You do well in treatment, but to make that treatment effect stick, you do have to provide a focused after-care program for people to make sure that they can be followed up closely and supported so that they can maintain the connectedness they are making, whether it is with training and education, or employment, family, and other health professionals and so on. Those outcomes are linked together.

In the real world, somebody is better at 12 months after an initial three-month's treatment period, if they have been provided the ongoing support and contact for the treatment agencies to make sure that their treatment effect is sticking over time and that they can avoid or manage relapses when they happen, and that they can stick with programs that had been planned out in terms of stable housing, connectedness to training and employment and those sorts of things. We are particularly interested in linking the short-term outcomes, if you like, or improvements across that range of things in treatment, over another 12-month period, and that is the critical phase. You are kind of losing the bang for your buck if you cannot provide the additional bit of investment. That is what we are working on—those sort of things—with the department now.

I am happy to say, and I think I am being quoted in a press release with Minister Humphries either today or tomorrow, that the Minister is announcing a new tranche of money that the current Government has put into non-government drug and alcohol treatment services that focuses in particular on spends around good coordinated intensive care for people who have been in treatment and who are exiting treatment to make that treatment effect stick, and particularly also for people who are coming off pharmacotherapies, methadone in particular, in residential settings or in controlled therapeutic settings, to assist them to come off the pharmacotherapy and stay off it successfully. In the current system, if you come off a pharmacotherapy you generally do not get much support from the State drug and alcohol services because they do not provide that level of after-care and support service. That is one example where the current Government has put some new money into focusing on that area, and we are really keen to see that kind of funding approach that looks at a little bit longer term to be able to make, as I said, to help the treatment effect stick.

Ms ANNA WATSON: Do you support greater investment in access to information technology [IT] and communication technology in the non-government organisation sector? Can you also expand on your proposals regarding benefits of a better and integrated information technology system across the whole sector?

Mr PIERCE: Yes, we do. In fact, since the early 2000s we have managed an online database for non-government agencies funded by New South Wales Health under by drug and alcohol program. That is the national minimum dataset. We have grown that minimum dataset to include currently a client management outcome data set which goes to measuring treatment effects in treatment and can be used for post follow-up treatment and Health has funded than in the last couple of years. We are working closely with Health now on looking at developing better performance outcomes and key performance indicators for performance outcomes from treatment services. We have been quite proactive about that.

The basis on which that sits, we believe, is not expensive. We manage those database reporting functionalities on an intranet. On the Network of Alcohol and other Drug Agencies [NADA] website we have our minimum dataset and treatment outcomes database so our members can access that from their computer terminals over the internet. We have already been working on that infrastructure for the last decade with our members. We feel that that is the way to continue to go, but particularly what we are working with Health now is to take away from a paper-based system your grant outcomes and performance indicator reporting from a paper-based system to another electronic system. We are hoping that Health will provide the resources to continue that. I see well-designed online-accessible treatment databases and also contract performance databases as being simple. To us, it is no-brainer. It is not expensive and it is fairly straightforward to do.

Ms ANNA WATSON: Would you support servicing funding as a part of the contract, for example, for the inclusion of computer equipment and training?

Mr PIERCE: Yes, we would, and it is not expensive. It is modest, but again it is one of the things that is not really reflected in the line items of a standard government contract for service delivery. We think that needs to be built-in and considered.

Ms ANNA WATSON: As a part of it?

Mr PIERCE: Yes.

CHAIR: Mr Pierce, for those organisations, the 100 or so agencies that you work with or are the peak body for, does the Network of Alcohol and other Drug Agencies [NADA] source its funding from a number of different government departments?

Mr PIERCE: We source our funding from New South Wales Health, and we also have funding from the Commonwealth Department of Health and Ageing for two positions that run a Commonwealth-funded set of drug and alcohol support programs to the members, who are in turn Commonwealth funded. It has been our desire to have the State and Commonwealth governments talking to each other a little bit more closely about both of these programs. The Commonwealth-funded programs used to be called the non-government organisation [NGO] treatment grants program, and there are a couple of other small ones. They have been separately funded since the previous Howard Government, so since about 1998 I think.

That is a significant amount of funding in New South Wales for non-government organisations. Most of the members who are State funded for drug and alcohol services through Health here are also grant recipients for Commonwealth drug treatment funding. They sit side by side but there is very little strategic communication between the two funding departments, Health here and the Department of Health and Ageing. That position we have that is funded by the Commonwealth Health Department is in relation to providing support, coordination and strategic support to the grant holders of Commonwealth funds in New South Wales. But our principal funder is the New South Wales Ministry of Health.

CHAIR: Touching on Mr Conolly's question earlier in relation to a number of funding streams that agencies may tap into, and the transparency and accountability of those funding streams and the outcomes placed upon them—and I expect that would be very time-consuming when you are filling out funding applications—do you think it would be beneficial to have a department that sits ahead of the government departments, a one-stop shop where you as the peak body can say we are going to this department but it will filter through to all those other departments to save you applying 10 different times and going through the whole regulatory burden, the red tape, filling out 10 forms for the one thing when you know the Government already has this information? Is that something that could streamline the process by reducing red tape?

Mr PIERCE: We believe so. There is not much experience to go on because that has not been done. We are aware the Commonwealth is setting up a not-for-profit regulatory body but I think that is going to be a much larger, broader picture. I think what you are talking about would be useful across the human services agencies in New South Wales that fund non-government organisations to provide a whole range of services that this Committee is looking at. That would be enormously useful. The other concerns we would have would be a shift in culture that would need to occur from the line agencies involved in providing those funds. In the past they have generally been fairly siloed. So, the Department of Community Services providing funding to non-government organisations which also provides funding for health and drug services and Corrections providing some funding to that same non-government organisation is quite common. The kinds of clients they are dealing with are the same kinds of clients with the same complex needs stretching across family and then community services-type needs and then drug and alcohol and Corrective Services.

The proposition would be enormously helpful but our experience of the capacity of those line agency funders across human services grants programs to communicate effectively with each other has been not there, if you like. What I am saying is there would have to be some shift in culture of: This patch is ours, by one agency, and this patch is ours by another, if they are funding similar agencies to do work with clients who are fairly similar across those agencies.

Mr KEVIN CONOLLY: You make reference to the length of contracts being an issue. Typically, how long are contracts that agencies in your group have, and are they generally renewed? Is it the experience that most of them roll over anyway, and can you talk about the compliance challenge involved in having them roll over?

Mr PIERCE: With NSW Health funding for drug and alcohol services, that is generally a three-year funding and performance agreement funding regime. For the new streams, and there are a few streams that go back a decade now, and some are newer that come from Health, they are generally three years as well. However, the time difference between a core triennial grant and a new grant from the same department for something else might be quite different. So, aligning those would be good. But they are generally three years unless they are for a one-off one-year period for a specific bit of work. The problem is contract coordination between various grants and that one runs out one year and another runs out the year after it, and then doing final reports, end of year or end of term reports and audits and things like that. It gets incredibly messy and that is where you get a lot of compliance burden.

Mr KEVIN CONOLLY: It sounds like three years would be acceptable and a reasonable period, if it could be coordinated three years?

Mr PIERCE: Yes.

Mrs BARBARA PERRY: I guess it comes back to what I was asking you before. Do you or do your member groups or other agencies you work with in the non-government sector hold a view that there is a difference in the way health services are funded if you are government and non-government. If you are government, first, there will be community services. How is that going to impact as we continue the possibly continued devolution of services to the non-government sector, in your area in particular?

Mr PIERCE: That is a good question. There is a differential in the way in which government drug and alcohol services are funded and at the level they are funded, and the non-government sector. That is quite true. Part of the problem for the non-government sector has been its lack of capacity to meet the salary levels that government can provide for particularly skilled staff. The other factor that goes with that is that because of that, for a long time now, the non-government sector has been the de facto training ground for a lot of people who end up working at a higher pay level in a government department after a few years working in a non-government organisation. So, that pay differential to staff salaries has been a major one. The other part of your question, sorry?

Mrs BARBARA PERRY: What then needs to be looked at as the Government continues to potentially look at outsourcing, if it is to look at further outsourcing in your area?

Mr PIERCE: We welcome the opportunity for enhancing and increasing the contribution of the non-government sector in direct service delivery to clients through outsourcing. We believe, particularly in the drug and alcohol sector, most of the statewide drug and alcohol program can be provided by the non-government sector, and provided better, quite frankly, with a greater community level response and with better coordination and the opportunities that non-government organisations have to develop more blended service models that suit clients' needs in that same way, the capacity non-government organisations have to form partnerships and consortia to grow service delivery for client outcomes. Our business model is freer and quicker. Our way of orienting community service delivery is more immediate and more client focused and we believe we are a better option for most of what constitutes drug and alcohol treatment service across the State.

We still think there is a clear role for government in providing high end medical nurses and doctors delivery of drug and alcohol services to people in acute settings and for people with acute medical problems associated with drug and alcohol use. But outside of that we believe we are best placed to provide community-based comprehensive drug and alcohol services back to the kinds of things we were talking about earlier, with longer and better management of a client through their drug and mental health issue and other related issues journey.

Having said that the simple way for us to address some of those problems with the differentials between government service delivery and staff and paying at the levels government can pay would be for the tender process to reflect the true cost of what it would be to acquire appropriately skilled staff. If you look at the entire drug and alcohol budget in New South Wales and outsource 80 per cent of it to the non-profit sector, given the current financial straits of the Government, there is room for efficiency or savings in that process, while still making sure that the buy price reflects what it costs to ensure we are engaging appropriately qualified staff—psychologists, allied health, et cetera. Outside of that then our business model kicks in and we can provide value-adding through the way in which we do business.

Mrs BARBARA PERRY: What follows on from that is this: Currently in the funding arrangements and contracts that services might have with government there would be key outcomes required.

Mr PIERCE: Yes.

Mrs BARBARA PERRY: Could you elaborate on what outcomes and performance measures are required, whether incentives are part of those contracts and if so what types of incentives are part of the contracts?

Mr PIERCE: In terms of outcomes we are doing some final work to present to the Ministry of Health in terms of a set of core outcomes you can expect from drug treatment services. That is not difficult. We have the outcome measures that are used across the sector in hand and what we want to do is standardise those. The outcomes relate to: improved health and social functioning; reduction, if it is alcohol, and cessation if it is alcohol and illicit drug use; improved connectedness to family; and improved connectedness to employment and training opportunities. They are the main areas: a general improvement in health and social functioning; general improvement in family or significant family connectedness; and general improvement in housing status and employment and/or training. The other one we are not as sure of would be reduction in criminal activity. That is because of our client group. However, NSW Health has been quite funny about paying for crime reduction outcomes.

Mrs BARBARA PERRY: Would you envisage incentives being built into funding arrangements—whether cash incentives or reduction of requirements that you would have to meet if you were to meet certain targets—is that how you view things?

Mr PIERCE: No. We do not know that incentives are going to be necessarily a good buy for a client group that is chronically relapsing. In our experience incentives can also be a little bit perverse. We would prefer to focus on what is the correct buy price for a treatment outcome defined in the kind of ways I just outlined: What would the program duration look like? We would consider the buy price in resources, duration of program and elements of program to be more important than an incentive scheme which may or may not have perverse outcomes in our sector given that it is a chronic relapsing condition. We would not want anyone fudging program outcomes because of incentive programs—if I can put it like that.

CHAIR: Thank you very much for your time, Mr Pierce. The Committee does appreciate you are busy. The Committee appreciates the input of the Network of Alcohol and other Drug Agencies into the Inquiry. It has been of benefit to the Committee.

(The witness withdrew)

GARRY MOORE, Chief Executive Officer, Homelessness NSW, and

DIGBY HUGHES, Policy and Project Officer, Homelessness NSW, affirmed and examined:

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 be made public. Would you be happy to provide a written reply to any further questions?

Mr G. MOORE: Yes.

Mr HUGHES: Indeed.

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

Mr G. MOORE: I would like to make six main points that are partially reflected within our written submission and are from consideration of the terms of reference. Our view is that the primary test, in terms of outsourcing community services, is that it will deliver better results for consumers and the community. There should be an evidence base around that and also the use of trials to prove it. Reasons for cost savings, risk transfer and the like should not be the primary drivers of outsourcing; however they are generally attendant with outsourcing decisions. It is important for government funders to understand the capacities of the not-for-profit sector and the private sector in relation to delivering human services. That goes to things such as distribution of services as far as location is concerned, the skill base of the staff, and the collaborative or non-collaborative cultures that exist within the sector. Importantly, we believe if services are contracted out it is critical to choose the right funding model to suit the features of the model of service delivery and the results being sought.

Too often in recent years the assumption is made that market based competitive tendering based on price is the best or only option, whereas there are other options when outsourcing. Government has a responsibility to work with the not-for-profit sector in order to enhance its capacities over time: particularly if there is a policy direction to be sustained. At the national level we currently have the National Compact and the establishment of the Australian Charities and Not-for-profits Commission, both of which are examples of groups working together and responding to critical issues, particularly in the regulatory and compliance area. At the New South Wales level we have worked in recent years with the former Working Together for New South Wales agreement between the former State Government and non-government agencies in New South Wales.

There have been cross-agency reviews of grant administration looking at consistent approaches to grants administration and funding of what are called sector development services. It is often through peak organisations in order to assist smaller medium-sized not-for-profits in particular to develop a capacity to cope with change and funding reform.

The final point I would like to make is that there needs to be an effective consultation, transition and change management strategy in government agencies themselves that proceed with outsourcing. Too often the assumption has been in the past with outsourcing that somehow or other the skill base is there to run a sophisticated contracting tendering performance management regime. No training is provided, no skills enhancement; it is just assumed it can be done in the human services. Of course, other issues that go with that include the loss or redesign of jobs within the public sector, new skills in tendering and contracting and support for the non-government organisations in a transition phase.

In summary, Homelessness NSW is supportive of sensible and appropriate outsourcing. There are a set of tests that really should be met each time a decision is taken but critically we would say the primary test is evidence that it will deliver better results for clients and local communities.

CHAIR: Could you please explain for the benefit of the Committee some of the business that Homelessness NSW has conducted with the New South Wales Government?

Mr G. MOORE: We are a small peak organisation of 170 members, most of whom provide direct services either assisting with trying to reduce the level of homelessness or assisting with the prevention of homelessness. Many of those members are funded through government, jointly Commonwealth-State through what is currently the specialist homelessness system and some of course have been funded in the past under the national partnership on homelessness.

Homelessness NSW itself also receives some peak funding out of the specialist homeless services system. It is probably fair to say that our membership includes some of the largest charities—Mission Australia, St Vincent de Paul, the Salvation Army et cetera, down to one or two person very small services based in rural towns or some satellite suburbs of urban areas. There of course you have many of the major charities making significant of their own funding contributions to the cost of service. In the case of the inner city \$12 million of government funds under specialist homelessness services gets combined with about \$25 million of funds from four charitable organisations to run the homelessness service system across the inner city. I know it is very different to other areas but it is important to state that.

The not-for-profit sector itself reflects that sort of distinction in many areas, including the drug and alcohol area that Larry was just talking about. Our relationship with government is therefore at one level about discussing policy in the housing and homelessness area. In the second area it is about advising and I guess promoting new and more effective models of service delivery which we would like to see in reformed programs that government funds and thirdly, providing a range of services to those 170 members which government would expect as a peak organisation we do in terms of information and support.

Mr KEVIN CONOLLY: Could you elaborate a little more on what your member groups do, what sorts of services and contracts you currently have?

Mr G. MOORE: They range from the provision of refuge and emergency accommodation, particularly for adults and for families—and that is a significant part but not the only part of the service system—through to trying to broker opportunities to keep people within private tenancies or within social and community housing. Some services are involved in providing medium-term accommodation themselves and then you have other organisations that do bits and pieces of what I have said but might also have themselves or have very strong relationships, for example, with a job network provider looking at employment and vocational training opportunities for homeless people and other ranges of general social support services. All of that comes through, by and large, the existing specialist homeless services contracts that the Commonwealth and State fund and that New South Wales contracts.

Mr KEVIN CONOLLY: Are the emergency, refuge and medium-term accommodation State funded contracts primarily?

Mr G. MOORE: The program is jointly Commonwealth-State funded; it is about 50:50 at the moment, but the State administers them on behalf of the Commonwealth.

Mr KEVIN CONOLLY: In your experience how does the experience of those agencies in tendering for those services and the continuity and predictability of ongoing funding work?

Mr G. MOORE: It is probably fair to say—and I did hear this question from the last witness—we have moved in this program to a three-year funding base in recent years and I think that makes a lot of sense. However, I say at the moment that there is a significant reform agenda on the table about doing homeless services better than perhaps we have done in the past 25 or 30 years and part of that would also go to the fact that we have had historic funding that just turns over and turns over. We do need to look at new models of service delivery, but certainly a three-year commitment with sensible performance requirements and compliance arrangements, in our mind, is not bad.

Mrs BARBARA PERRY: Bearing in mind the six points that you make, I guess implied in that is that traditionally government has been going to the non-government organisations sector with "Well, what can you deliver for this?" You are suggesting that there be something else. What are you suggesting there should be?

Mr G. MOORE: As I said, at the first end really what needs to be shown—and I am reminded of the 20 years debate about outsourcing out-of-home care services in New South Wales—is we need an evidence base. Twenty-five years ago John Usher wrote a report in 1992 about outsourcing out-of-home-care services. He provided a lot of evidence and then agencies such as Barnardos, Burnside and the Benevolent Society have all

been working in these areas strongly. That evidence was largely ignored, in my view. The first thing is there needs to be some evidence about whether you would do it or not. In that case perversely I think the evidence was ignored over a long period of time. I will not go into why but the evidence suggested certainly for a significant cohort of young people in out-of-home-care the results were better through the non-government sector operation.

I think the problem when we get to competitive tendering and market-based approaches firstly is that often the drive is to drive down costs to get the lowest unit cost you can. I am not arguing against efficiency and I am not arguing against value for money but why we are in this business is to get the best results for people, so you have got to have a system which puts quality and positive results against the cost of your inputs to make those things happen. I do not think we have done particularly well in that regard. That is one of the problems. I know Mr Pierce previously mentioned historically not for profits have never really been funded for full cost of service delivery and I think part of the problem is if you simply go into a straight market approach, you get the sort of competitive pressure to drive prices down even further in order to win the bid, so I think there is an issue there.

At the same time I can say to you that there is other evidence of new funding models which governments are trying which have a range of pros and cons. I am thinking particularly of individualised funding that is client-based and results-based funding. If I look at the job networking introduced in the Federal sphere back in 1997, which really was outsourcing the CES to both not-for-profit and for-profit providers, it has taken four major reforms over the time since then to try and deal, for example, with premium in terms of the best clients, the easier clients, volumes through getting more payments or using other forms within that market to achieve results to get the best payments. It is a difficult issue. In New South Wales there is a trial on at the moment, a rapid rehousing trial in Penrith and Coffs Harbour, that has just been started, which also looks at results-based funding for the first time. It will be very interesting to see whether the management of those funding arrangements deals with some of the perverse results or not.

Mrs BARBARA PERRY: That is where I was leading. Can we talk a little bit more about that? We heard this morning some evidence from Leonie King about incentives being put in. Bearing in mind you are talking about the pilot at Penrith, I assume that there might be some incentives built in there, whether they be cash incentives or otherwise, whatever they be—particularly cash incentives—what is your view on that, bearing in mind you have made comment about perverse incentives and how they might impact in a negative way?

Mr G. MOORE: I think, once again, going back to my original point about looking at the evidence elsewhere, and we do not have a lot in New South Wales but there are in other jurisdictions, the evidence has been really mixed. Generally it is that cash payments are made upon certain outcomes for certain groups of clients. As I have said to you, in the job network, in Job Services Australia, as it now is, there have been four major attempts to fix the rotting in that system over a period of time. I suppose the other side of that is that people have learnt where the weaknesses in these approaches are.

The one in Penrith and Coffs Harbour I mentioned is a front-end, small infrastructure payment to the provider and then a cash payment if someone gets temporary accommodation and a second cash payment towards the end of the 12 months if they are in permanent accommodation. There is no differential if you are a very complex client or if you are someone who just happens to be at risk of homelessness. I think that raises some issues about the capacity of providers to do that. All I am trying to suggest is that there needs to be much more careful thinking about these forms of funding markets and mixes and putting moneys with clients rather than just assuming that they fit a theory and let us move ahead with them, because I do not think the evidence in Australia is particularly good, nor in the UK, nor in the US.

Mrs BARBARA PERRY: Would you be able to, not now but perhaps later, provide the Committee with the relevant evidence that you are referring to?

Mr GARRY. MOORE: Yes.

Ms ANNA WATSON: Mr Hughes, do you have a comment on the claim made by Shelter NSW that public- and community-based housing models create different market forces? What is your view?

Mr HUGHES: Can you just repeat the question?

Ms ANNA WATSON: I just wondered if you have any comment on the claim made by Shelter NSW that public- and community-based housing models create different market forces. What is your view on that?

Mr HUGHES: I am just trying to think what they are driving towards there, without understanding the context of that whole statement.

Ms ANNA WATSON: A part of your submission referred to that comment made by Shelter NSW.

Mr HUGHES: I think it is talking about the fact that public housing—

Ms ANNA WATSON: There is community-based housing, which is traditionally funded by the Federal Government and then there is public housing, which is State Government. I guess the question to you is: Do you believe that these different models create different market forces? In other words, is it more driven towards community-based or more towards public and what is your view on the claim made by Shelter NSW that the public- and community-based housing models create different forces? Maybe Mr Moore can assist.

Mr G. MOORE: It is certainly true that in community housing arrangements of course the target groups are both social housing tenants that are shared with public housing but also tenants who, I guess, are low-wage workers and would more fall within the affordable housing market. Of course, community housing providers are seen by some as being much more flexible and nimble in that—and I guess this goes to part of the theory about the strategic growth of that sector; if you, for example, transferred assets to that sector you can then borrow in the private sector against the assets. My understanding within the not-for-profit sector is there is a fair degree support for that. I guess the real issue becomes the relative treatment of people who are social housing tenants and affordable housing tenants within the community housing sector itself.

Part of that comment that Shelter refers to is that social housing tenants do not generally have the capacity certainly not to purchase their stock or to pay a rent that is above the sort of 25 per cent of income. The affordable housing sector, of course, we are talking the New South Wales definition is up to 120 per cent of median income—so, single person, median income, not average, \$40,000, \$45,000 a year. What they were reflecting was that community housing providers operate in a different market—different market conditions. The issue is, in my view, that community housing providers have to balance some competing interests between social housing clients they take off the waiting list, affordable housing who they want to provide stock to and deliver social mix on as well too, and then our clients—homeless people—who, of course, can get transitional housing with community housing providers, but once they are independent they then have to move on.

There are different markets both client-wise and how the money works within public and community housing; it is not simply community housing providers are doing what Housing NSW currently does, it just happens to be not-for-profit; it is a slightly different business model and they are a different group of people being serviced.

CHAIR: I am mindful of time, Mr Moore, but I will take you to page 5 of your submission, the second last paragraph: "Homelessness NSW would also support the use of 'prequalification', accreditation or registration processes as they can reduce the need to provide organisational and governance details on every occasion, allowing the actual funding or procurement process to focus on the specifics of service delivery". How would you see that accreditation process and what form will it take, do you think?

Mr G. MOORE: In short, because we have only got a short time I appreciate, the way we would see it is that at the moment if the ACNC works well at the Federal level, hopefully on a regulatory side and if the States and Territories agree with the approach, you will essentially have one place for a not-for-profit if they are a company—associations are still a question and cooperatives; if you are a company limited by guarantee or shares you have a one-stop shop to go, that all funders and regulators can share the information. So on the basic governance requirements, that is really where it should be, and it should be done electronically across the country, et cetera.

The second bit is about the question of management capacity and quality. This gets a little more difficult because as much as there are many silos of programs and there are big silos in our sector, I do not think anyone should think that somehow or other we have won the collaboration battle—I am not sure that that is really the case—but we have got service standards upon service standards and when you look across them, and I have been aware in a previous role of CEO of NCOSS nearly 10 years ago, in New South Wales people did look

at 22 different service standards operating across the FACS portfolio now, and you can see all the commonalities.

So if quality service delivery is about good customer service, consumer complaints mechanisms, a whole range of other management things, you can tick those off as a consistent set that everyone has to meet—it does not matter if they are funded in Health or in Housing, Community Services, Education and Communities. You can do that, I think, through a preferred provider list that actually operates. The third bit then comes down to what you are providing through the front door to clients or to the community. That is my view about how you reduce the red tape and how you do it sustainably long-term.

CHAIR: One last point. Your first dot point on page 4 says, "Seeking value for money should not be the only overriding principle. The focus should be on the best possible outcomes for people and communities". Congratulations on that statement. Thank you very much. We wish you all the best and thank you so much for your time.

(The witnesses withdrew)

ALISON PETERS, Director, Council of Social Service of New South Wales, affirmed and examined:

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 be made public. Would you be happy to provide a written reply to any further questions?

Ms PETERS: Certainly.

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

Ms PETERS: I would like to make an opening statement. I will be very brief. It certainly will not take five minutes. If I could I would first of all stress that the name of my organisation is NCOSS. I say this quite deliberately because what it means in essence is that the Council of Social Service of New South Wales [NCOSS] is an organisation that cares greatly about outcomes for people and communities. We are not a peak industry body for the community services sector in the way that some people might understand that. We care very greatly about the sector because we see them as an incredibly important part of achieving social justice in New South Wales. We do not care about them because they are the sector, if I can be a little bit flippant in that regard.

I think to some extent I make that point to say that we come here with no preconceived ideas about the role of the sector in terms of delivering services on behalf of government. We come here very clearly with a view that the sector has much to offer and wants to work in collaboration and partnership with government to ensure the most disadvantaged and vulnerable people in our State are able to fulfil the same opportunities that you or I might take for granted. As I said, we see that the sector has a very important role in that. That is why this Inquiry is important to us in terms of its deliberations because we think the way sometimes services are procured by government could be done better and we would argue initially that this Inquiry should also consider how decisions are made about what services government might require as opposed to the processes of procuring those services once delivered.

To that extent, having read some of the other submissions that are available on the website, we perhaps offer a slightly different perspective to this particular Inquiry than the other submissions that concentrate on the effectiveness or the outcomes being achieved by particular programs. I would also make the point that in the time since submissions closed we have seen handed down the New South Wales Government Commission of Audit final report, affectionately called the Schott report. We note that in that report they recommended as well that government look at what is described as the Western Australian partnership forum, which is one of the recommendations in our submission as well. We would note that the Government's response to the Schott Inquiry is silent on whether or not they also support such a recommendation, but it certainly appeared within the Schott report itself.

CHAIR: On page 2 of your submission your organisation questions the scope of the Committee's Inquiry by urging that consideration be taken of all services provided in the community non-government organisation [NGO] sector. You claim that by focusing on housing, disability and home care this Committee may reach conclusions that act against the diversity of the community sector. Can you please explain and expand on that claim?

Ms PETERS: Many of the services provided—for example, in disability service provision—while they are focused very much on providing support and services to the people with disability, they can often rely on other not-just-community-based services but government services or even private business services to provide full support to a person with a disability, for example. That may go to transport. It can actually go to health unrelated to the person's disability, or perhaps exacerbated by the person's disability. It may well go to housing questions. It may well go to employment or legal questions—a whole range of services that are currently provided by the not-for-profit sector or, in some cases, also by government at various levels, but also now by the private sector.

I would argue perhaps that by focusing on disability services aspects, housing or on home-care services, that may in fact be focusing on quite narrow aspects of government service delivery, failing to take account that there are many other elements of people's lives that also require government support and assistance, either directly or through service providers sourced by government or in another way. In some cases what we do not want to see is the notion that we provide services within silos. I think the previous witness, Mr Garry Moore, also said that we recognise support may be provided across a range of government portfolio areas, or indeed what we say are life circumstances for people.

CHAIR: Thank you for explaining that. In terms of the scope of this Committee, we are looking at those three sectors. Thank you for explaining that.

Mr KEVIN CONOLLY: I would like to take you to the Western Australian model you have talked about and to which a couple of other submissions have referred. I do not think we have homed in on it yet today. Can you tell us what that model provides? Why is it different? How might it perform?

Ms PETERS: Certainly. In our submission, we point to the fact that New South Wales previously had a compact type of arrangement between government and the sector under the previous Government. It was called Stronger Together in New South Wales. It took, I have got to say, a long time to be established. I think both government and indeed NCOSS would argue it probably did not live quite up to expectations. The Western Australian model is built on a compact-style arrangement that existed in other jurisdictions—not just New South Wales, but also Queensland. There is a national compact style and of course there are the models that exist both in Canada and the United Kingdom as well.

It looks at essentially saying, "We want to work in partnership. We will come to the table. We will talk about, if you like, key strategic issues regarding the policy settings, all the aspects that we do—the program delivery as well as actually what that then means in terms of nuts and bolts and contract requirements as well as how you might measure things and how you might evaluate things." We see the benefit of this approach as providing an overall government perspective and an overall sector perspective without getting into very specific details that we all find ourselves getting in when there are particular negotiations at the table or particular contracts. We see it as being a very useful way of complementing, for example, work on NSW 2021, which is the Government's State Plan, with some very high-level objectives on how best the sector can work with the Government to deliver on those objectives.

Mr KEVIN CONOLLY: Thank you. Related to that is a statement within your submission that planning should be separated from procurement. Can you tell us why you think it is important to have that separation? What challenge or pitfall would we be trying to overcome there?

Ms PETERS: To some extent in the sector, we sometimes treat ourselves as being unique and special, and we certainly are; but sometimes I think we treat ourselves as being too unique and too special. In procurement practice, as evidenced elsewhere within government, determining the policy and planning for services is quite often separated from the actual procurement practices that surround that. There are advantages to that in that individuals who may be engaged in Health, working up what the policy settings might be or what programs might look like, are not then dealing with the same people in terms of perhaps the tendering treatments as well. That is quite common practice, as I understand it, in other parts of government. One might say: Should it really be any different for community services provision as well?

I know that the Schott report also spoke about the need to have robust procurement processes and also meeting contract management practices within government but, in terms of human service delivery, that is not quite the same thing as purchasing a road, for example, or train carriages. There is a slightly different style to the procurement of human services, but again it would strike the Council of Social Service of NSW that the principles that apply to other parts of government with respect to procuring services could be usefully looked at in terms of having a robust system in place for human services as well that deals with things like potential conflict of interest and ensuring effectiveness but without in any way, if you like, almost determining what services are procured. That is actually a separate consideration on the part of government.

Mr KEVIN CONOLLY: Thank you.

Mrs BARBARA PERRY: You have been asked a number of questions about the Western Australian partnership forums, but I think implicit in those questions is—and I do not know whether you want to add

anything further—What does the Council of Social Service of NSW see the value in delivering services is mostly about?

Ms PETERS: As I indicated in my opening, the sector at its heart is actually about social justice. We actually want to make a difference. We want to enable some of the most vulnerable and disadvantaged people in our community to be able to take advantage of opportunities that are available to everyone else. We see that as being important, not just for the economy but, more importantly, for society as a whole where everyone is participating and able to access those opportunities. We see the sector very much as having two elements to its work: one is helping people understand what the barriers might be to achieving some fairness in our world, but the other is then helping people to access the opportunities that are available to them, whether through education or through to a particular sport, through connections, or through building their own capacity. This sector is very much complementary to governments who are about providing services to people so that we can have a good robust society where everyone has a role to play and is valued for that.

Mrs BARBARA PERRY: Do you see any tension in the Schott report itself, for example, between the discussion on procurement and the discussion on the partnership forums that exist in other jurisdictions? How can that tension be alleviated in any further potential devolution of services across the community—from government to the community services sector? Can it be?

Ms PETERS: This Inquiry makes use of the term outsourcing. Unfortunately, outsourcing has a slightly pejorative meaning to many people within our community. As NCOSS we would argue that the value of the sector is not because we are a cheaper alternative to government but that we are effectively doing things that governments cannot always do because of their size and scale and, quite friendly, because it is government. For example, in child protection the relationships non-government organisations can establish with families are different to government because government has a statutory role that sometimes means it removes children from their families. Non-government organisations do not have that statutory role and are therefore able to establish sometimes links and trust with families to help them build their capacity to have their children returned to them or to not have their children removed in the first place, in a way that government, just because it has that role, may not be able to achieve. So we see very much that the sector is complementary to government and it should not be seen as a competitor to government service delivery.

We would also argue in some circumstances that the sector is not well placed to deliver services. So what are the issues are we trying to solve here, what are the problems, what are the issues and who is best placed to do that. We will have views about who is best placed to do that all over the place. Sometimes, for example, in education, NCOSS and most of our member organisations would absolutely support the need to have a high-quality, well-resourced public education system. We would absolutely say that is one of the best ways to assist children out of poverty that they may find themselves in. Again, we see procurement decisions as being the end of the discussion rather than sometimes the beginning of the discussion, which, occasionally, it appears to us these decisions are.

Ms ANNA WATSON: Your submission argues for a whole-of-government approach to funding and monitoring of the service delivery contracts to take into account the full cost of the service delivery and also allow for investment and future capacity and sustainability of community sector organisations. Are there particular service areas within the sector which are experiencing greater pressures than others? If So what are they?

Ms PETERS: I think it is fair to say there are difficulties across the sector in many ways. They come from, in some ways, a move from grant-based funding to more outcomes-based contracting or purchaser provider models. The two are a little different. A grant is a contribution towards work and as a result has always been viewed historically as never having to pay for the full cost of services because there may well be other money available through philanthropy, for example, or in some cases some non-government organisations have bequests and endowments that they draw down on to help deliver services. In some areas that is no longer the model. We have moved to an outcomes-based—it depends what you mean by outcomes—contracting approach and certainly in some areas a purchaser provider model. However, funding levels have not necessarily increased along with that. Partly that is a reflection of the fact that pay rates have been substantially lower than either government or the private sector for similar sorts of work but it also means, for example, that short-term funding—say less than three years—what happens is that people have guaranteed a job for 12 months or so and they will move on. So you do not capture experience and expertise. You may not be able to offer ongoing training, because all of these things are not able to be paid for out of the money you might be receiving from government for the services you are providing. So there is a range of systemic issues there.

Some organisations, because of size, scale and their histories, are better able to provide additional resources. Others are not. So it tends not to be about programmed types in some ways; it tends to be about different organisations and sometimes in different histories. Some organisations that have relied on investment income from endowments, for example, found that things they were previously able to self-fund became more problematic in 2008 because the returns on their investments were not as high and that continues to be an issue. I would love to give you a straight answer to say there are particular programs where funding is not so good but we would say it is across government and across tiers of government, so it is not just the State Government programs. We would argue it is Commonwealth Government funded programs as well, where there is a gap between what it costs to deliver a service on an ongoing sustainable basis and what is provided for in contract prices.

CHAIR: I noted earlier you were talking about some things a government does well and some things non-government organisations do better, and vice versa. We agree on that. Putting a bit of flesh on the bones in that regard, that is what this Committee is about. It is looking at the way things have been done in the past in relation to outsourcing and devolution and how we can do it better. This is an excellent example of some of the things you have put in your submission on how we can do it better in terms of the transparency and viability of those non-government organisations to fulfil their contracts or obligations by making sure that those front-line services are there so they do not get swallowed up and lost in the meantime. I take you to page 10 of your submission in relation to funding procedures. In relation to the contractual requirements and the funding applications you say that the use of prequalification accreditation or registration processes can reduce the need to provide all organisations and governments details on every occasion, allowing actual funding or procure mode process to focus on the specifics of service delivery. That is a pretty common theme we have been hearing today from a number of organisations. Would you like to expand on that little?

Ms PETERS: Certainly a great deal of time and energy is taken up reciting to government agencies, who know us very well, routine details that talk about the fact we have an ABN for example; that we have governance procedures in place; that we are accredited and able to do this work; that we have money in bank accounts and have ticked all the boxes. For example, Ageing, Disability and Home Care makes use of what is a variation on prequalification where, once an organisation meets an accreditation standard, rather than having to go through competitive tendering processes every three or five years, if there is extra demand, in particular geographic regions, it is offered to those organisations who are already prequalified in those regions as to whether they have the capacity at this point in time to take on that extra work.

We have certainly noted that has allowed some stability for these organisations. It allows them to plan better and we also know they are able to scale up should that be required, depending on changing demographics. Demographics do not always change quickly; you can predict these over time but sometimes the demographics and areas change very quickly in terms of capacity of institutions be they non-government or government to address the needs. So there can be a bit of a lag. Prequalification, we would say, is one way of reducing red tape and ensuring organisations that have already demonstrated their capacity to deliver human services are able to do that based on what they can deliver rather than more of the routine inquiries that we are constantly required to put forward.

CHAIR: Do you think in that accreditation process part of the qualification process could be a community based outcome that they would contribute to their funding application? In other words, the outcomes on the ground at a community level would go towards the qualification?

Ms PETERS: For different programs, different types of services, that is absolutely right. I think one of the things that both government and the sector struggles with is how you actually demonstrate outcomes on the ground. Feedback from people you are working with and on behalf of is always useful but is not the only evidence you should look at. Again we would argue that having a forum like the Western Australian Partnership Forum allows some of the higher level evaluation methods to be talked through so that they work for Government, who has a responsibility to the electorate, and the non-governmental organisations who have a responsibility to clients, their families in the broader community and the Government for taxpayer money that they might be receiving. Certainly having some form of community support and being able to demonstrate that is appropriate in some cases.

Mr KEVIN CONOLLY: The top of page 11 of your submission caught my eye. There are a couple of dot points in your submission concerning some features of the contracts that you are dealing with at the moment

and the funding system. You call for annual indexation to be built into funding levels. Does that not exist at all? Is there no recognition of changing costs at the moment?

Ms PETERS: At the moment the State Government indexes funding based on its State wages policy. That is useful to some extent. It does not recognise that other costs are involved. For example, a few years ago the fastest growing costs for non-government organisations were, in fact, insurance and rent for accommodation. Local governments started charging market based rents for local government halls and properties. Those are not necessarily encompassed by taking a percentage that is actually related to wage costs. In other jurisdictions, Victoria for example, they have a special index that looks at the costs for non-government organisations and takes a basket approach: you need a bit for rent and you need a bit for transport costs as well as a wage index. That runs through programs. Having said that—different programs will have different cost structures.

Community transport providers have to buy buses, and in some cases cars, which many other organisations would not have. Disability service providers might also be in the same boat and—depending on where you are—rent costs might be different. NCOSS would say that there certainly needs to be annual indexation and discussion about what might be the appropriate way to do that. Again if I go back to other procurement processes, it is not uncommon for government contracts to have cost escalation factor consideration. Quite often it is based on the consumer price index but in construction there is a construction cost index that is usually factored into government contracts. We would argue that in this case if Government believes that the sector should be providing services on its behalf then there need to be discussions about what might be an appropriate indexation rate structure.

Mr KEVIN CONOLLY: The other point that caught my eye in your submission is where you are calling for the obligation on service providers to contribute income raised from independent sources to supplement government funded services to be removed: implying that it exists in some cases.

Ms PETERS: It goes to the point I made earlier about the move away from a grants-based model of funding to a contract-based model of funding. We argue that if we are moving to contract-based funding there needs to be a price for what might have been a true contribution towards good work and it is not appropriate to require a further obligation from the contributor. You would not ask that of a builder or a civil engineer.

Mr KEVIN CONOLLY: Is the implication that it is an old practice and you hope it no longer occurs too often?

Ms PETERS: That's right. We would argue that it excludes a huge number of non-governmental organisations from that because of a variety of reasons: size is one of them but tax status is another. You have to have the status of a public benevolent institution and a deductible gift recipient conferred on you by the tax office to be able to get donations. In the sector not all organisations are able to qualify for that status. That might become clearer as a move to a national regulator rolls out but at this point in time some organisations in the sector qualify for that status and others do not.

You might actually have a situation where a very good service that is capable of delivering extraordinary outcomes could be excluded if there is a requirement that they contribute some of their own resources, in a monetary sense, towards service delivery. We think it is fairer, if you are moving towards a contractual arrangement, away from an old grants-based system, that those sorts of clauses are excluded as they are old-fashioned—as you said.

Mr KEVIN CONOLLY: Are you aware of clauses like that still being in contracts?

Ms PETERS: It is more to do with the fact that in some cases funding to the sector is still done under a grants basis, whereas in other programs it is clearly a contract for service. It is somewhat different. We are in that transition phase.

Mrs BARBARA PERRY: Bearing in mind your opening statement and comments about upfront partnership discussions before procurement occurs and the issue that recently we have seen the transition of for-profit organisations into the out-of-home care sector can I ask you where you see the challenges and concerns are for NCOSS? What is your comment in relation to for-profits and the ongoing devolution by this Government proceeding down contractual paths?

Ms PETERS: A major concern in terms of allowing for-profits into human service delivery is that if they adopt a business practice that is sometimes described as loss-leading, where they deliberately bid low in order to win contracts, in essence what you do is end a huge number of potential players for the next time you open up a contract for retendering. For example, it could squeeze out and essentially end a whole host of organisations in terms of their ongoing sustainability. Certainly in the employment services tenders, sometimes referred to as the "jobs Australia" tenders, there is some evidence that that happened. Community based organisations that had previously been providing services no longer exist and so even if you are unhappy with the service providers you have currently got they are the only ones left to retender. That would certainly be a concern for NCOSS. One of the best things—and we have highlighted it a number of times in our submissions—about the community sector is our diversity and our capacity to draw on different organisations' strengths to build, if you like, a whole system rather than assuming one organisation will meet the needs of absolutely every one of their clients.

Mrs BARBARA PERRY: Following on from that is a similar question in relation to smaller, flexible community service organisations and the risk as well of those being weeded out, given that the bigger community service organisations, not for profit or for profit, in that sense could have a similar impact, is that right?

Ms PETERS: There is certainly concern regarding the make-up of the sector at the moment. I think it would be fair to say that this is not new. Smaller organisations are always worried about larger organisations being able to expand and likewise larger organisations are quite often frustrated by the number of smaller organisations that are out there as well. I know from governments' point of view, they are concerned about whether or not there is a size that makes an organisation more or less effective. We would argue that size is not actually the determinant of effectiveness; it is actually delivery on the ground.

Some small organisations are good and some are not so good. Some big organisations are good and some are not so good. Occasionally performance might vary from time to time as well, so it is not always consistent and straightforward. For us the rationale of any work that the sector takes on is that we are able to deliver it to a standard that meets not just the needs of our funders, whether that be government or philanthropy, for example, but also that it is actually making a difference for the clients we are working with. That is the ultimate test for us and size is not necessarily the key determinant in that.

Mrs BARBARA PERRY: I ask a wrap-up question: then what needs to be included in future models, whether it be methodology funding, whatever it is, and whether it relates to for profits or not for profits, or larger organisations or smaller community-based organisations, what can be included to ensure some equity for organisations?

Ms PETERS: Certainly there have been attempts by governments to look at the capacity of the sector as a sector as opposed to individual organisational capacity and some of those initiatives, I think, need to continue. At the moment, for example, Ageing, Disability and Home Care has invested a great deal in disability service provision to bring all organisations to a particular readiness for a person-centred approach and for individualised funding. I make it quite deliberate: the two are different, they are not actually the same thing, but they have done a great deal of work to build the capacity of the sector to meet that need.

We would commend that investment and suggest that needs to be looked at as well. It goes to the point that I think is at the heart of the NCOSS submission and that is that we actually need to work out what it is we are trying to achieve first. What are the outcomes that we are after and how can we best ensure that those outcomes can be delivered regardless of size or scale? I do think, particularly as this Government is also very focused on having decisions made as close as possible to the people whose lives will be affected by those decisions, there is a need to build some capacity within the system so a range of organisations and indeed individuals can take advantage of those opportunities as well.

Again, if you have an overarching whole-of-government approach to this, those are the questions you ask before you then go to the procurement process and say, "How do we make sure small organisations are competitive in this market?" It is not that different to the work that I understand finance and services are doing at the moment in terms of ensuring small businesses have greater access to procurement for those things as well.

Mrs BARBARA PERRY: I guess you would include accountability as part of that but you have not spoken of it. Complaint mechanism is all upfront as well?

Ms PETERS: Yes.

CHAIR: In terms of allowing small organisations to compete in that larger market the accreditation process would certainly come into play, put them on a level playing field and reduce that handicap, so to speak?

Ms PETERS: That is correct.

CHAIR: We have just seen this Government hand out \$3 million for respite care packages across-the-board and a number of organisations have been handed those packages. It is up to those non-government organisations to manage their in-house complaints. Do you think that this provides sufficient safeguards for clients who perhaps may go down that path?

Ms PETERS: Like government, all non-government organisations should in fact have robust complaint handling processes in place. Having said that, like government I think there needs to be external oversight of such complaints. We do not walk away from the fact that if the sector wants to continue to provide services, then it has got to actually be up for it, which means it has got to have robust mechanisms itself, they have to be transparent and there has to be some form of external oversight. We would suggest that even though these organisations, under the requirements of this package, have to have complaint mechanisms, that does not take away from the right of an individual to make a complaint through the Ombudsman's processes that exist now. We would say that those sorts of features must be in place.

CHAIR: Just going on from that, rather than go down the path of the Ombudsman, should the non-government organisations have a mandatory requirement to report back to government in relation to some of those complaints to make it easier for clients who would sometimes see going to the Ombudsman as a rather difficult process?

Ms PETERS: I think I will take this one on notice. I want to relook at this particular example. I did not understand that this was actually any new or additional requirement that does not exist in other contracts. I am thinking of NCOSS one of various funding agreements, for example, with government where we are required to comply with various laws as though they were applying to the public sector. We are required to have complaints mechanisms under our incorporation. We are a company limited by guarantee, so there are a range of mechanisms in place and I do not understand necessarily that this would be an additional requirement. It may well be a best practice requirement but I would like to go back and just confirm that before I make any particular comments on whether or not there needs to be an additional step. I do not walk away, however, from saying there must be some independent oversight, as there is in most other aspects of our daily lives in terms of service provision, whether it be from a private business; there are complaint mechanisms, for example, for your trading—a whole range of them.

CHAIR: Lastly on that one, in terms of internal governance and complaint management, the board of directors you would expect would have a role to play. Sometimes we are seeing that those directors have perhaps not had the experience or do not have the capability and the capacity to take that forward and, hence, it sits at that level. We will leave it at that and we will take it on notice. We will appreciate getting your thoughts on what body would oversight such a mechanism.

Mrs BARBARA PERRY: We have seen through the Cummins Inquiry in Victoria that one of the biggest issues around the community services sector is accountability and how that works. In light of the questions you have been asked today—I know you are taking them on notice—could you also consider and factor in the tension between the funder who is the government and the other organisation that is being funded or the organisations that are being funded? Did you want to make any further preliminary comments before you take it on notice around some of the lessons to be learnt from the Cummins Inquiry?

Ms PETERS: Perhaps not so much lessons to be learnt from the Cummins Inquiry but I draw attention to, again, in our submission the New South Wales Community Sector Charter, which we are promoting not just to the sector but also to government as a way to understand the diversity of the sector and what we stand for. Principles included in that charter are very much about how we have an obligation to our clients and the communities we work in that requires levels of accountability and transparency. We see that as being fundamental to the ethical standards that the sector works in. I think it is also fair to say that from time to time we may not always live up to our best aspirations with respect to those standards, but that is different to saying that the standard should be something we aspire to, and we are looking at mechanisms to ensure that that happens.

Certainly, the prospect of a national regulator, although it may not at least initially cover the breadth of the sector, is one way to do that. There are a range of other mechanisms in place, and ultimately, particularly as we are talking about government procuring services from the sector, if you get it wrong, just as a small business might get it wrong, you are not going to get another contract, and that is, to some extent, the ultimate sanction. We would like to ensure it does not get to that, so that where there are shortcomings they can be dealt with before that. But that, obviously, is the ultimate sanction.

Mrs BARBARA PERRY: I guess that brings me to the transition in out-of-home care currently where the department retains the statutory protection role. I think there are obviously challenges there and tensions between that. Where that might be the case have you envisaged the internal complaints system of an organisation, a community services based type organisation, a non-government agency, a not-for-profit agency or a for-profit agency where it has its own internal systems and the department maintains its statutory protection role? Where do you think the future lies with respect to how those internal complaints are then informed to the department where the Minister has the parental responsibilities?

Ms PETERS: In out-of-home care, for example, there is a variation of prequalification essentially occurring because to provide out-of-home care services you must meet the standards set by the Children's Guardian. They look at things like internal complaint mechanisms and how they are handled and the like. That is one level of transparency and accountability through those mechanisms. Again, as I said, there is always the oversight of the Ombudsman's office as well. To some extent too we should not forget that for many of the people our sector works with these are people who are not used to complaining; they are used to, essentially, getting what is given to them and not making too much of a fuss about that.

So, in some ways best practice would suggest we look at how we can ensure people are comfortable with the quality of the service they might be receiving and how we encourage and enable them to take up issues through a variety of mechanisms. So, as I said, for out-of-home care very clearly this is something that I know the Children's Guardian looks at. In terms of their accreditation you have to reapply for accreditation, so there is some element of quality control within that mechanism. For us perhaps the bigger question is for those who may not speak up when in other circumstances others might and how you do that.

CHAIR: Lastly, in terms of making it easier to do business with government from the non-government sector, do you think there is an appetite for a section to be developed where all these organisations—and I look at your charter or the New South Wales community sector charter and the vast number of logos that represent those organisations; no doubt the different government departments that they would need to deal with to obtain funding, and it is quite often the case that the people in those organisations are not up to speed with relation to applications; it takes them a long time, it takes them off-line. Do you think it would be worthwhile having a department or a section where that sits in front of all the government departments to avoid duplication so that it makes it easier in terms of the accreditation process? Say, if an organisation applies for funding and they want funding from four different departments, they do not have to apply four times, it comes into the one section and then they would farm that out and make it easier to do business—in a very rudimentary sense?

Ms PETERS: There have been attempts to do this in the past. There is a website called "Community Builders", there is something called "HSNet", where these sorts of, if you like, open tenders are available. There is always the government's own procurement website where these things are around. Again, the sort of model you are talking about would work well for, if you like, grant funding where there are pockets of money to contribute towards doing good work. But government agencies are increasingly moving towards more specific contracting requirements and so there is a slightly different approach.

There may be some merit in providing support to organisations who have previously not had to operate in this way about how to put together good tender documents. We have certainly had feedback from some of our member organisations that they do not get good feedback about why they might miss out on tenders. So some process where government might feedback to organisations about how they could improve their tendering practices, how they could put forward better tender documents, for example, may well be useful. Again, we would recommend that this goes to another one of our recommendations, which is government at least have a whole-of-government approach to some of these questions and consult widely with the sector about how it might work in practice so that these questions at least can be asked and answered before we find ourselves in the middle of the tender process, because that is usually when discontent arises.

Mrs BARBARA PERRY: I know I asked you a series of questions before but where I was heading—and you may not be able to answer this today—is that it is relatively unique where the Minister maintains parental responsibility, particularly in out-of-home care situations. I am talking about accountability where the department will be able to have a system, in partnership with NGOs or whoever, where they can access files readily and that would be another level of accountability and oversight, obviously. Do you see that there is any conflict or tension in that for the community services sector in particular and how can that best be built into funding models, funding agreements and contracts?

Ms PETERS: Looking very specifically at out-of-home care I think you are right to identify there is potential tension between the parties, but I would argue that is because at the moment we have been viewed as competitors to each other when really as you know NCOSS has argued for a long time that there are complementary roles here and it is actually about working together. Again we would urge that these processes and systems will work best if people have a clear understanding of what should happen from the very beginning rather than trying to resolve some of the issues as they roll through.

With out-of-home care I understand that there has been a lot of discussion regarding what is called the transition project where community services as an agency and the peaks involved in out-of-home care representing the sector have had lots of discussions about the nuts and bolts of how this transition will work. We would argue that while it has been bumpy and while there is probably still a few bumps to go, that is a good process because it is actually about people coming together to resolve a problem that is about wellbeing of children and young people. So that, for us, is fine. Those sorts of practices and procedures across government I think would also be useful because again it allows us to say what is it we are trying to achieve and what is needed to support either government to make sure that we are doing the right thing or for us to make sure we are doing the right thing in terms of those outcomes. I think if they can be identified front up it is always going to be better than if we have to catch up once processes are underway.

CHAIR: Thank you. It has been a marathon session for you and you have done extremely well. Thank you for your honesty and insightful answers to our questions. We really appreciate your time and your submission. Congratulations to your organisation on the great job that it does.

(The witness withdrew)

(The Committee adjourned at 4.03 p.m.)