



**Hon Ben Wyatt MLA**  
**Treasurer; Minister for Finance; Energy; Aboriginal Affairs**

---

Our ref: 69-04460

Human Services Inquiry  
Productivity Commission  
Locked Bag 2, Collins Street East  
MELBOURNE VIC 8003

Dear Commissioners

**WESTERN AUSTRALIAN GOVERNMENT SUBMISSION ON THE HUMAN SERVICES INQUIRY DRAFT REPORT**

I would like to thank you for the opportunity to provide feedback on the Productivity Commission's draft report *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*.

Further to your roundtable consultations on 31 July 2017 with representatives from the Western Australian Government, please find attached a written response to the draft report.

I trust these comments will assist in your deliberations ahead of the final report.

Yours sincerely

**BEN WYATT MLA**  
**TREASURER**  
16 OCT 2017

Att.



**Western Australian Government Submission to the**

# Productivity Commission Inquiry Draft Report

**Introducing Competition and Informed User Choice  
into Human Services: Reforms to Human Services**

**October 2017**

## Introduction

The Western Australian Government welcomes the opportunity to comment on the Productivity Commission's draft report (the Report) published in June 2017 on furthering competition and informed user choice in human services.

Western Australia is supportive of investigating options to improve human services where they promote equity and increase user choice in a way that delivers better outcomes for all Western Australians. Western Australia notes that any proposed reforms will require careful consideration of costs, implementation and funding arrangements and complementarity with local reform priorities to ensure they are sustainable over time and do not result in cost-shifting between jurisdictions. It is also essential that reform directions reflect the very different social and economic conditions in urban, regional and remote Australia.

## Social housing

Western Australia acknowledges that the social housing system needs improvement to ensure it provides both a secure safety net for those who need it and a pathway to other opportunities for those with the capacity. However, Western Australia considers that the Report does not adequately reflect the complexity of issues and differences between different jurisdictions, different places (urban, regional, remote) and different individual circumstances (income and capacity).

While recognising the Productivity Commission's Terms of Reference, the Report's focus on resolving housing-related issues primarily through the welfare system has some significant limitations.

- Housing needs to be considered as infrastructure, rather than just as welfare-related payment and support services. Effort is needed on both the supply and demand sides to truly address the needs of low income households.
- Actually enabling people to exercise individual choice also means addressing the market's inability to provide sufficient affordable housing (rather than only trying to correct distortions through a subsidy/financial assistance). Without consideration of affordable housing investment to increase the availability of housing people can afford, consumer choice over time would actually fall rather than increase.
- The proposed 15% increase to Commonwealth Rent Assistance (CRA) would be inadequate to address the profound gap between incomes and cost, and may largely be absorbed by the market (developers, landlords, property managers).



- The lack of consideration in the reform options for capital investment represents a significant issue in terms of the ability of States (with the private and not-for-profit (NFP) sectors) to refurbish, build and hold housing stock to address the needs of the poorest and most vulnerable.

Moving public housing tenants away from the long-standing income-to-rent model to a market rent model is expected to significantly impact those on fixed incomes with limited capacity to improve their circumstances, such as seniors and those with a significant disability. This model was recently reviewed by the New South Wales Independent Pricing and Regulatory Tribunal (April 2017) and rejected on the basis of equity and affordability.

- If applied, this option effectively makes public housing tenants worse-off and those in the private market slightly better off.
- Even with a 15% increase to CRA payments, under a scenario where market rent is charged and collected from tenants (assuming rental policy change and legislative requirements are met) initial modelling by the Western Australian Department of Communities (Communities) suggests that more than 90% of public housing tenants would be worse off in relation to the proportion of rent paid compared with income. Further, Communities estimates that 78% of current public tenants will be in rental stress<sup>1</sup> following such changes.
- Often public housing tenants have the least capacity to respond, noting around two-thirds of Western Australia's public housing tenants are over 65 years and/or receiving disability payments and therefore have limited capacity to improve their circumstances and increase pressure on other funded areas of service and infrastructure.

Western Australia also considers that, in and of itself, the CRA is not an effective response to enhancing user-choice, as it assumes a large number of affordable housing options in the private market. A more appropriate response would be an approach that acknowledges the inability of the private housing market to provide an adequate number of affordable homes for those on low incomes.

As such, Western Australia would argue a more nuanced 'people and place' approach is needed based on:

- more of a 'two speed' social housing system which retains an income-to-rent model for people with long-term need and low capacity and a differentiated model and incentives (whether eligibility, tenure or rent related) — to encourage workforce participation for people with time-limited need and future capacity;

---

<sup>1</sup> Tenants paying more than 30% of their household income on rent.

- a placed based approach to CRA which reflects regional differences and costs; and
- concurrent investment in creating and retaining affordable rental housing for people on very low incomes.

To demonstrate the extent of the problem in Western Australia, of the 52,277 private rental vacancies in the Perth Metropolitan Area reported to the Real Estate Institute of Western Australia during 2015-16, only 3% were affordable to households on very low incomes<sup>2</sup>. Further, while 36% of private rental households are on very low or low incomes<sup>3</sup>, only 19% of private rentals are affordable for this group. This is despite Western Australia maintaining high levels of supply (consistently the highest in the country relative to its population), demonstrating that simple solutions like increasing supply and/or adjusting the social housing rent setting model deny the basic structural problem - the mismatch between what people on very low incomes can afford and what it costs the market to produce and hold the assets.

Under the proposed model, strong demand for public housing would likely continue despite there being equal financial incentives for tenants to participate in the private market. Implementation of the proposed CRA model would not alter the existing reasons some tenants seek out public housing, which provide more security of tenure for tenants who may have difficulty functioning in a private market due to their personal, financial or employment circumstances, or who may face discrimination. Additionally, vulnerable tenants with complex needs may be unable to navigate a choice-based system or would require significant support to do so.

Western Australia is also concerned about the proposed expansion of tenancy support services into the private market as it would represent a substantial expanded responsibility for States and Territories (the States). The recommendation appears to be based on a presumption that support services are currently provided to all public housing tenants, where in reality only a small proportion of tenants in the Western Australia public housing system currently need and receive these services. Given the CRA is administered by the Commonwealth Government, this could lead to a substantial increase in responsibility and liability for the States. Further, the numbers of recipients alone would challenge the appropriateness of this proposed response, with more than 100,000 CRA recipients in Western Australia in 2016<sup>4</sup>.

---

<sup>2</sup> Household income under \$43,050 per annum.

<sup>3</sup> Household income of \$43,051-\$68,880 per annum.

<sup>4</sup> Source: Report on Government Services (ROGS) 2017.



Finally, Western Australia acknowledges that while increased contestability to provide tenancy management services could lead to better outcomes for tenants, it would need to be based on evidence of cost-effectiveness and/or improved service by Community Housing Providers.

## Commissioning family and community services

### Provider selection processes

Western Australia is supportive of selection processes that allow providers sufficient time to prepare considered responses. Increasing the length of time a tender remains open increases opportunities for providers to build relationships, develop service models, establish roles and responsibilities, cost and price the service and develop a strong tender response.

The current practice in Western Australia is as follows:

- where the total estimated value of the proposed procurement is \$250,000 or above the tender advertising period must be for a minimum of 10 working days, except where the proposed procurement is covered under a FTA (State Supply Commission [Open and Effective Competition Policy](#)); and
- a covered procurement under the [Australian United States Free Trade Agreement](#) (AUSFTA) is a procurement of products and/or services (not involving construction services) where the total contract value is estimated to equal or exceed \$551,000. The AUSFTA requires public authorities to provide potential suppliers with a minimum of 25 calendar days to prepare and lodge a submission in response to a tender request (NB: AUSFTA does not apply to NFP institutions. Not all human services in Western Australia are delivered by NFPs).

Western Australia is supportive of the proposition that 6-8 weeks would be considered good practice where the tender requires the sector to consider complex contracting arrangements such as consortia. Coupled with a focus on improving co-design processes with service providers to inform the development of tenders prior to advertisement, this approach would likely improve the ability for service providers to prepare considered responses, including consortia bids, to complex tenders. From a practical perspective there is always a need to allow for situations when these timeframes are not able to be achieved due to external circumstances.

## **Timing selection processes and contracts to support service improvement**

Western Australia is supportive in principal of the proposal for the timing of similar tenders to be coordinated across government agencies, and to provide greater certainty by announcing forward schedules of commissioning processes and tenders. The proposals align with the Western Australian Government's *Supporting Communities* policy commitment to streamline procurement processes.

In relation to decisions to coordinate the timing of selection processes, the driving principle should not be solely on administrative efficiencies (decisions to time selection processes will not necessarily have the effect of creating administrative efficiency for service providers) but rather on the benefits to be achieved through more joined-up service delivery on the ground to achieve better outcomes for service users.

This is especially the case in regional and remote areas where there are significant other public policy benefits to be gained when the procurement and terms of contracting activity across all levels of government are calibrated effectively. These include employment, training and local non-governmental organisation/small and medium-sized enterprises capacity building.

In relation to the proposal for 7 year default contract lengths, the Western Australian *Delivering Community Services in Partnership* (DCSP) Policy requires that contracts are of sufficient duration to encourage continuity, efficiency and sustainable service delivery. Since the implementation of the DCSP Policy, the standard length of community service contracts in Western Australia is five years (commonly with three plus one plus one contract terms).

While longer contract length would provide more certainty for providers, and may assist providers to build longer term relationships with clients, Western Australia notes a number of cautions. This includes the need for sound service co-design in the first instance, flexibility clauses to respond to changing community need or poor service performance, and cognisance of the importance of an appropriate balance to ensure periodic contestability.

The importance of government contract managers establishing and maintaining productive working relationships with service providers cannot be underestimated in ensuring successful implementation of contracts generally. The skills of contract managers, and the practices and processes in place to support their functions, should be commensurate to the level of risk and complexity involved with a contract. This approach should also be considered in the context of the risks and opportunities that emerge as a result of any increased default contract lengths.



## Human services in remote Indigenous communities

The draft recommendations relating to commissioning arrangements for family and community services and human services in remote Indigenous communities are considered to be reasonable, and align with work already being undertaken in Western Australia.

The Western Australian Government is committed to driving jobs growth in Aboriginal communities in the regions, including the development of an Aboriginal Procurement Policy which aims to increase the number of contracts awarded to Western Australian Aboriginal businesses.

The *Resilient Families, Strong Communities; a roadmap for regional and remote Aboriginal communities* (the Roadmap) outlines the Western Australian Government's approach to implementing long-term reform to improve outcomes for Aboriginal people in regional and remote areas, and is closely aligned to the approach recommended in the Report.

The Roadmap is underpinned by principle of community and sector collaboration and includes strategic direction, and priority action areas for:

- placed-based services which focus on the needs and circumstances of regions and locations;
- family-centred approaches to service provision which take into account the cultural dimension of extended families and kinship obligations for Aboriginal communities, to improve collaboration between government and community providers delivering services to common families; and
- refocussing of government-funded services to support earlier intervention services for Aboriginal children in regional and remote areas which are culturally secure, based on local community knowledge and which support community ownership and control.

In responding to the Productivity Commission's specific recommendations regarding remote communities, Western Australia considers that a broad range of considerations are required, beyond a narrow focus on commissioning:

- the size and remoteness of a community and the cost of administering and evaluating community-specific contracts, relative to actual service expenditure;
- the nature of funded services - for example, there is a strong need to focus on earlier intervention services to reduce demand for tertiary services;
- the need to develop capability around procurement practices;



- commissioning of services at a regional level (rather than in central offices) to enable local knowledge to be used in determining which organisations are (or, with the right capability support, could be) effective delivery partners, while controlling for increased probity risks;
- establishment of shared outcomes and co-design, which are more important in remote Aboriginal communities than in any other part of the human services sector, given the unique challenges these communities face;
- regional workforce capability (both in the government sector and in the non-government sector) as this is the primary barrier in delivering effective services in regional and remote areas; and
- development of models of service that can work in conditions of high mobility, seasonal variations in the ability to access communities and population, small scales and significant remoteness.

With respect to the recommendation for 10 year default contracts, in addition to the previous general comments about the commissioning of family and community services, Western Australia considers that there are particular cautions that need to be taken into account in regional and remote areas.

Longer contracts may also reduce competition and limit the capacity of new providers to enter the market. This is a particular issue for services delivered in regional and remote Aboriginal communities where the market is already limited and ongoing capacity building for Aboriginal businesses is required. Moreover, 10 year contracts may perversely favour "mainstream" organisations over Aboriginal-Community Controlled Organisations, due to perceptions about the capacity to administer larger, longer contracts.

The realities of securing funding for long-term contracts in the context of Commonwealth and state budgetary cycles, further limit the practicality of these recommendations.

