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27 October 2016

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

Dear Mr King

Submission to Human Services Reform Preliminary Findings Report

Local Government NSW (LGNSW) is the peak body for the local government sector in NSW, representing NSW general-purpose councils and associate members including special-purpose county councils and the NSW Aboriginal Land Council. In essence, LGNSW is the organisation for all things local government in NSW. LGNSW facilitates the development of an effective community-based system of local government in the State.

LGNSW thanks the Productivity Commission for the opportunity to respond to the Human Services Reform Inquiry Preliminary Findings Report. LGNSW understands that the Commission is to undertake the inquiry in two stages.

The first stage will deliver an initial study report identifying services within the human services sector that are best suited to the introduction of greater competition, contestability and user choice. The Commission will examine:

1. the current level, nature and future trends in demand for each major area of service delivery;
2. the current supply arrangements and future trends, including the scope for diversity in provision and informed user choice, alternative pricing and funding models, and the potential for contestability in supply by government, not-for-profit and private sector providers;
3. the effectiveness of previous reforms intended to introduce greater competition and user choice, and the pathway taken to achieve those reforms, through investigating:
 - a. case studies of existing practices and trials in Australian jurisdictions; and
 - b. international examples of best practice.

In the second stage, the Commission will undertake a more extensive examination and provide an inquiry report making recommendations on how to introduce greater competition, contestability and user choice to the services that were identified above.

In providing its recommendations, the Commission's report should identify the steps required to implement recommended reforms.

In developing policy options to introduce principles of competition and informed user choice in the provision of human services, the Commission will have particular regard, where relevant, to:

1. the roles and responsibilities of consumers within the human service sector, and the service or services being considered;
2. the factors affecting consumer use of services and preferences for different models of service delivery, noting the particular challenges facing consumers with complex and chronic needs and/or reduced capacity to make informed choices;
3. the role of the government generally, and as a commissioner, provider and regulator, in the delivery of human services;
4. the role of government agencies in designing policy, commissioning and, in some cases, delivering human services in a client-centred way that encourages innovation, focusses on outcomes and builds efficiency and collaboration;
5. the role of private sector and not-for-profit providers;
6. the benefits and costs of applying competition principles in the provision of human services, including improving competitive neutrality between government, private and not-for-profit service providers;
7. how best to promote innovation and improvements in the quality, range and funding of human services;
8. the challenges facing the provision of human services in rural and remote areas, small regional cities and emerging markets;
9. the need to improve Indigenous outcomes; and
10. the development of systems that allow the performance of any new arrangements to be evaluated rigorously and to encourage continuous learning.

Background

NSW councils have a long and significant direct involvement in the delivery of a wide range of human/community services and infrastructure. Over the past 100 years the terms "community services" or "human services" have been reinvented and redefined when used in the local government context, broadening from welfare and community development services to include health services, libraries, cultural and recreational services, and services for seniors and people with disability.

Local government is a large provider of human services to NSW communities and LGNSW is concerned that councils' role in the delivery of human services appears to have been neglected by the report. We will comment on three of the priority areas identified in the Preliminary Findings Report that are of particular concern to local government.

Human services in remote Indigenous communities

LGNSW agrees with the report's findings that services to remote Indigenous communities need to improve in quality, be coordinated in their delivery, and be more culturally appropriate. These objectives can be achieved through interagency collaboration, cultural awareness training, employment of Aboriginal workers, meaningful consultation with Aboriginal people and empowering Aboriginal communities to take the lead.

Two NSW examples of successful services and programs delivered in collaboration between multiple government services and Aboriginal communities are outlined below.

The Sustainable Waste in Aboriginal Communities Reference Group is an interagency working group that helps guide the delivery of the Waste Aid program with members including LGNSW, NSW Environment Protection Authority, NSW Aboriginal Affairs, Department of Health, NSW Aboriginal Land Council, Australian Packaging Covenant, Resource Recovery Australia and Waste Aid. The Waste Aid program is designed to improve waste management, increase recycling and tackle litter and illegal dumping in NSW Aboriginal communities.

The NSW Aboriginal Communities Water and Sewerage Program enables NSW local government to assist Aboriginal people in obtaining appropriate water supply and sewerage services. NSW councils' local water utilities are working in partnership with the NSW Government and the NSW Aboriginal Land Council to deliver improved water supply and sewerage services to discrete Aboriginal communities in NSW. The program commenced in 2008 and provides long term funding (over \$200 million over 25 years jointly funded by the NSW Government and the NSW Aboriginal Land Council) for councils and their local water utilities to provide operational, maintenance, and monitoring services of water and sewerage systems in Aboriginal communities.

Social housing

Housing affordability and the supply of affordable housing has become a major issue across NSW. The rapid increase in housing costs has caused many people on low and moderate incomes to struggle to find housing that is both affordable and appropriate to their needs and increase the demand for social housing.

If more competition is to be brought into the sector as the Productivity Commission recommends, strategies must be further developed and implemented to reduce the high demand for social housing, including improving housing affordability and provision of social support services that prevent the need for persons to enter the social housing system in the first place. While affordable housing is outside of the Terms of Reference of the human services reform review, LGNSW believes it must be considered in the context of its impact on social housing.

LGNSW notes the report finding that community housing providers (both not-for-profit and for-profit) are outperforming public providers. LGNSW is concerned that if existing and future social housing stock is transferred to community housing providers to develop and/or manage such measures could cost-shift government responsibilities without addressing the underlying issues. The potential impact on rate revenue is a related concern – such properties should not be exempt.

Councils are not a housing provider; nor can local government control the main drivers of housing affordability (such as the ability for people to get adequate financial assistance). However, in NSW, councils can influence affordable housing in a number of ways, including: protecting existing forms of affordable housing in their local area such as boarding houses, planning for the provision of affordable dwellings within larger developments, working with community providers to deliver projects, and implementing local affordable housing strategies and policies.

In NSW some councils have adopted local affordable housing strategies and policies that respond to the local housing market, identify opportunities to protect and encourage new opportunities for affordable housing, and are designed to counter the impacts of housing stress in their communities. For example the City of Ryde Council has set targets of 5% of new dwellings built over the next fifteen years to be designated as affordable housing dwellings. At the 2016 LGNSW annual conference a motion calling for the State Government to set targets for NSW planning instruments that specify minimum levels of affordable housing for residential development to encourage higher proportion of affordable housing was endorsed.

In 2015, the LGNSW endorsed a motion calling for a National Housing Strategy, supporting:

- the need for a National Housing Strategy and the development of local housing strategies in line with the guidelines presented within the national framework which would aim to improve housing affordability, access to affordable and social housing, reduce housing/rental stress and reduce homelessness;
- the need for the NSW Government to better equip and support councils facilitate greater affordable housing provision at a local level by:
 - Setting aspirational targets in the metropolitan strategy of at least 15 per cent of the additional dwellings in the Sydney region as a whole provided as affordable housing
 - Working in partnership with councils and other key stakeholders including financial institutions to identify models of best practice and related systems of finance to increase the supply of affordable housing; and
- a requirement that all affordable housing stock acquired through planning processes be held in perpetuity as opposed to the 10-year limit currently imposed.

Housing affordability has to be addressed collaboratively with all levels of government within the planning system to be effective and improve outcomes on the ground and reduce the demand for social housing.

Grant-based family and community services

As the sphere of government with the closest ties to local communities, local government is the recipient of state and federal grant funding; and has a proven success rate in the effective delivery of human and community services initiatives at the local level. These initiatives are often conducted in partnership/collaboration with other service providers.

The report found that governments could deliver a better mix of services if they took a systematic approach to identify what the community needs. Local government and local providers who have in-depth knowledge of their communities must be included in identifying those community needs. These needs should direct funding programs, rather than the reverse situation in which programs are developed to fit grants criteria.

The report finding that engagement with service providers and users at the policy design stage could increase the quality and efficiency of services funded is supported by LGNSW. By including service providers in the design phase issues can be mitigated such as lack of awareness of community needs, unsuitable timing of funding, and reducing uncertainty for grant funded employees.

As part of any funding reform proposal it is essential that locally-based funding is maintained, and grants are not simply provided to large scale organisations that may have more resources. Local government and smaller locally based organisations have strong and invaluable community connections and local knowledge which are essential to the effective delivery of grants programs.

Further comments

LGNSW notes the report focuses on introducing greater competition, contestability and informed user choice in the delivery of human services. As part of the reform considerations LGNSW believes the following should be addressed:

- Whilst there is often an assumption that the consumer has more 'choice and control' in market-driven services, there are many consumers, particularly those from certain cohorts including culturally and linguistically diverse communities, Aboriginal and Torres Strait Islander peoples, lesbian, gay, bisexual, transgender and intersex persons, and people

with disability who may need extra support to gain valid information, navigate the system, and gain skills and confidence to make these choices.

- Funding often requires reporting on outputs, however whilst it is more difficult to measure and understand, the impact of human services should be measurable outcomes for the community affected rather than outputs. The human services sector needs to have the capacity and flexibility to determine the most effective way to use funding (in i.e. hours of services provided, number of places on program, number of houses available, etc.) to respond to and address specific community needs and to focus on positive outcomes.

Should you wish to discuss these matters further or seek further information please to contact Liz Gemes, Senior Policy Officer

Yours sincerely

 Donna Rygate
Chief Executive