Productivity Commission Inquiry into human services

NSW Government Submission

Contents

1 Executive Summary

NSW welcomes the Productivity Commission's inquiry into the increased application of competition, contestability and informed user choice to human services.

Providing better services is a NSW State Priority. As the population grows and ages, and as digital technologies increase citizens' expectations of services better suited to their specific needs, the community will continue to expect greater choice and accessibility to world class services.

We support the emphasis placed on human services as a new priority for competition policy reform in the final report of the Harper Competition Policy Review (Harper Review). The final report provides an important steer for governments to harness the benefits of user choice and competition in improving outcomes by extending its application to the provision of human services.

The NSW Government is, therefore, firmly committed to improving services to the people of NSW. Competition between providers, and the innovation it inspires, can play a critical role in driving those improvements in the services citizens receive.

We recognise that better services also can require a transformation in how governments deliver, fund and regulate services. The National Disability Insurance Scheme (NDIS) is an example of the benefits to service users from a transformation in service systems.

Protecting the vulnerable is a NSW State Priority. It is imperative that services meet the needs of the State's most vulnerable clients, and that human service reforms improve the circumstances of the vulnerable. This can be done by enhancing the quality, flexibility and responsiveness of services clients receive, supported by an appropriate funding and regulatory environment.

No matter who delivers the service, it is imperative that government does not disengage from its ultimate responsibility for ensuring that service delivery systems evolve in a way that improves outcomes for citizens and protects the vulnerable, both today and into the future.

Effective, consumer-driven reforms require that considerations of competition, contestability and informed choice underpin any redesign of service delivery.

There are already several reforms underway in NSW that seek to enhance outcomes for citizens by improving the way human services are delivered, including through introducing greater competition, contestability and user choice in the provision of certain human services. In doing so, these reforms aim to achieve better value for money while improving service quality, enhancing accountability and responsiveness to user needs, and ensuring equity in access to services.

This submission provides information on a number of NSW initiatives in specific sectors and highlights insights which could possibly be translated to other services. However, it is important to note that an outcomes-focussed approach would deliver the strongest benefits if a system-wide perspective is taken – rather than just focussing on individual initiatives. For example, the disability reforms focused on how to maximise consumer welfare – rather than improving the contracting arrangements with NGOs.

It should also be recognised that the objective of reforms is not necessarily to reduce expenditure, but rather to enhance quality and value for money. This highlights the importance of robust appraisal and evaluation to ensure that a case for reform exists and that reform projects are delivering expected improvements in outcomes. Ultimately governments will need to make decisions regarding the allocation of scarce resources, but

reform is not necessarily aimed at reducing costs. For example, the National Disability Insurance Scheme focuses on delivering greater value and quality in service provision, as well as extending coverage to a larger number of people with severe disabilities.

NSW welcomes this opportunity to share its experiences to date in service delivery reform, as well as the opportunity to collaborate on sharing learnings in the future, to help inform reform directions.

2 The principles

Human service provision can be complex and is frequently concerned with meeting the needs of the most vulnerable Australians. Governments can harness the potential benefits of choice and competition in the provision of human services. This can be achieved using competitive forces, or user empowerment through choice, to drive better outcomes for service users, and support equity, transparency and accountability.

The Harper Review set out guiding principles for harnessing the benefits of greater competition, contestability and user choice in the domain of human services. Specifically that:

- a better outcome for service users driven by user choice should be at the heart of service delivery

- governments should retain a stewardship function, separating the interests of policy (including funding), regulation and service delivery

- a diversity of providers should be encouraged, while taking care not to crowd out community and volunteer services

- innovation in service provision should be stimulated, while ensuring minimum standards of quality and access in human services.

The role of governments may shift away from providing services directly in some sectors. However, retaining a "stewardship role" ensures that governments do not disengage from their ultimate responsibility to ensure ongoing improvement in outcomes for citizens and protection of the vulnerable.

Acting in the interests of consumers and citizens is the goal of governments' stewardship role. To do this, governments need to establish the regulatory and policy systems capable of driving ongoing improvements in outcomes for citizens. In infrastructure, the operation of the Australian Energy Market Commission is an example of the need for governments to set up a process by which the electricity market evolves over time as circumstances change.

In fact, this ongoing role of government extends to providing support for emerging markets through market design and development, careful and consultative contract design, developing robust evaluation processes, embedding performance outcomes measurement, setting appropriate regulatory arrangements, ensuring accountability of parties involved in service provision, supporting providers in building their capabilities, and prudent management of risk. The Harper Review provides a valuable discussion on how governments can perform its stewardship role.

3   Understanding the attributes of human services

The attributes of human services presented in the Commission's Issues Paper – quality, equity, efficiency, accountability and responsiveness – are well suited to both quantitative and qualitative performance metrics and outcomes metrics. However, there is an overarching, fundamental attribute of human services missing – effectiveness. The key priority in increasing choice, competition and contestability in human services is improving outcomes; effectiveness is a critical indicator as to whether interventions by government are in fact doing so. It is therefore important that the concept of effectiveness is clearly articulated.

The Inquiry should consider alignment with the performance framework used in the Report on Government Services as outlined in the following Figure 1 below and Figure 3 in Section 6 on evaluating outcomes.

Figure 1: General framework and examples of performance indicators[1]
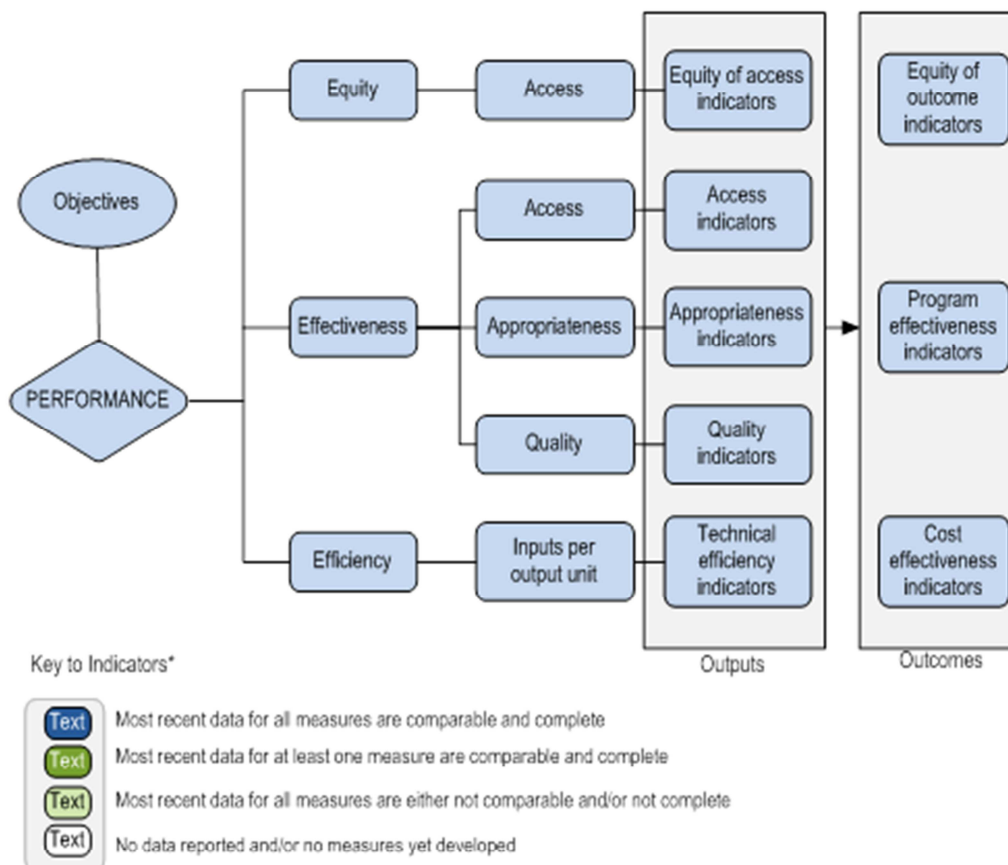
In terms of responsiveness, it may be better to break this into the concepts of appropriateness and timeliness. This would enable the consideration of both aspects more fully. For example, cultural appropriateness is particularly pertinent for services being provided to Aboriginal and Torres Strait Islander people, and culturally and linguistically diverse communities. Also, timeliness is an important aspect of a responsive health system,

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[1] Productivity Commission, *Report on Government Services 2015: Volume A,* page 1.12.

where the provision of preventative health services can enable individuals to take pre-emptive measures to avoid the need for clinical services, or coordinate their care from multiple providers.

As the Commission's Issues Paper states, "Someone, whether the user, the provider or a third-party such as a regulator, must decide which services a particular user can receive". Understanding the attributes of human services is important, as information on the attributes of the human services is critical for all these parties by enabling:

- clients to make welfare-enhancing decisions by comparing the value of benefits (effectiveness being a critical attribute of this) relative to the costs of the service

- providers to direct their efforts to where they generate most value for clients as well as for the provider;

- Governments and regulators to ensure the system is optimising the use of scare community resources to best improve client outcomes and equity objectives – this is also critical for government in performing its stewardship role.

4   Identifying services best suited to reform

NSW considers it imperative to consider reforms on a service-by-service basis with a view to achieving improved outcomes for service users. That said, the Commission's Inquiry should not overlook that in many cases improved outcomes involve integrating different service providers. For instance, a child with a disability may as part of their disability support package need access to education services, such as transport to school and classroom aides. The NSW case studies in this Submission further illustrate this point, for example:

- mental health services reforms in NSW are aiming to integrate services across the continuum of care so that clients receive the services that best suit their individual needs and goals

- the specialist homelessness services reforms in NSW are establishing a new client-centred approach to providing services in a way that is built around the needs of the client, focussing on breaking the cycle of homelessness, rather than taking a "one size fits all" approach to service delivery and focussing on clients in crisis

- social housing services reform in NSW will provide focused support to help people avoid long term social housing tenancies, while also recognising the role stable housing plays in the lives of people who are not able to live elsewhere.

This outcomes-focussed approach to reform underlines the importance of looking at the service from a system-wide perspective; the health sector is a good example where such an approach is required to achieve further improvement in outcomes for service users. It is about considering the levers in service provision that are capable of changing the chain of events that lead to the problems faced by service users, and determining where the service investment should be. The starting point is redesigning service systems so they improve outcomes for service users.

Competition, contestability and informed choice are a means to that end. The size and importance of health and education (from early childhood to post-secondary) services mean these two sectors should be a focus of the review. The third priority for NSW is vulnerable families and children where positive early interventions can improve lifetime outcomes. The NSW Government's Office of Social Impact Investment recently commissioned actuarial modelling and analytics work to understand government service usage, and the economic and social outcomes of young people leaving out-of-home care (OOHC) over their lifetime. The modelling provided insight into the factors influencing individual social and economic

outcomes, and showed that young people leaving OOHC risk poor social outcomes, requiring costly government interventions later in life across the spectrum of human services[2].

The Commission's Issues Paper also discusses the need to identify service areas where user choice may be suitable. It is important to note that service users already make choices in some form or another, no matter how implicitly or how well informed. Hence the issue is not whether the service is suited to choice *per se* but rather what scope there may be for more informed choice.

The factors set out in the Commission's proposed framework at Figure 2 in the Commission's Issues Paper seek to support assessments of markets and services to draw out what elements of competition, contestability and user choice might help improve outcomes, and issues that might need closer consideration in order to achieve this.

The proposed factors set out in Figure 2 form a solid basis which would benefit from further sub-categorisation. For example:

- **User characteristics** – As sub-elements of the willingness and capacity of users to exercise informed choice, we suggest that the following considerations are pertinent to human service provision:
    - o the potential for distress purchasing should be considered i.e. purchasing prompted by a crisis or when it is an emotionally difficult time
    - o the capabilities of clients to understand how the services available to them can help them achieve their individual goals – see for example the case study below on implementing enhanced community-based supports as part of the NSW mental health reforms
    - o the needs and expectations of carers and families of clients
    - o health literacy and provider trust in the context of health services, which are key determinants of whether patients feel comfortable – and willing – to make decisions.

- **Nature of transactions** – This could include whether transactions are part of a funding package intended to address user need holistically, and where decisions over use of such funding are made. This should also include a factor covering community support and attitudes towards reform.

- **Supply characteristics** – Provider and market maturity should be considered as a sub-element of barriers to change. There should also be consideration of provider willingness to enter a market, including whether service delivery requires investment in highly specific or long-term assets, and the level of uncertainty with regards to future demand for services. The provider of last resort framework is potentially even more important than it has been in the development of infrastructure markets.

- **Costs to providers** – As sub-elements of adapting to service delivery, considerations should include provider scale and scope, existing capabilities to adapt to a new operating environment, and the extent to which providers need to develop or adjust to new delivery models.

- **Government stewardship** – As part of commissioning services, this could include consideration of the need to develop provider and market capabilities, the need to regulate pricing and market dynamics, arrangements to deal with provider failure,

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[2] NSW Intergenerational Report 2016 Chapter 7 has initial results of a model commissioned from Taylor Fry based on data from NSW human services agencies including Family and Community Services, Justice and Health as well as Finance, Services and Innovation.

and monitoring of service performance. As pointed out in the Commission's Issues Paper, the potential benefits of increased competition, contestability and user choice may be realised through good policy design.

- An additional, yet important, cost consideration is the possibility of unlocking latent demand for a service with potential impacts on the service model and funding of the service

The Commission could consider the UK Institute for Government's extensive writing on Public Service Markets and its development of a diagnostic tool to analyse a service and market[3]. The tool recognises that the underlying characteristics of each public service market and the way it is managed differ. The tool looks at the underlying characteristics of the service and market to determine how well it allows effective choice and competition to take place; and also looks at the capacity of an organisation to manage markets successfully. The UK National Audit Office's publications on successful commissioning[4] and outcomes-based payments[5] may also be of benefit.

5 Designing reforms

Any government intervention to promote competition, contestability and user choice needs to be carefully designed. At the outset, designing reforms should involve a concerted focus by governments to:

- analyse and forecast the need for services and identify target clients

- set clear objectives and desired outcomes

- analyse what works and what interventions (services, regulation, taxation, subsidies, information) are most cost effective in improving client outcomes

- engage with the market to understand provider capabilities, and engage with the community and clients to understand their needs; this should include market sounding to gain a long-term view on whether greater competition will lead to service delivery improvement

- establish clear roles and accountabilities within government to support its stewardship role, and for service providers, including separating the interests of purchaser and provider where government remains a provider

- understand the market in which service provision operates, where there are problems with the operation of the market, and consider ways to address these problems

- establish the necessary consumer protection frameworks (or quality and safeguards in disability) – a key lesson learned from the electricity market reforms.

Important aspects of reform design will also include:

- designing contracts capable of incentivising improved performance and outcomes, and establishing arrangements by which to monitor service providers, e.g. by establishing clear performance objectives, benchmarks and measurements, and payment appropriate contract duration.

- establishing information systems that can inform providers, purchasers and users on the performance of providers and the effectiveness of different interventions

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[3] See: http://www.instituteforgovernment.org.uk/publication/analyse-your-service-and-market-diagnostic-tool
[4] https://www.nao.org.uk/successful-commissioning/
[5] https://www.nao.org.uk/report/outcome-based-payment-schemes-governments-use-of-payment-by-results/

- arranging the steps that will be taken to ensure that the market has sufficient depth and diversity of providers over time, e.g. building the capabilities of smaller providers

- designing the rules of exchange such as which providers meet market entry standards and are capable of engaging with the market, and which services users are eligible to choose on a subsidised or free basis

- embedding strong feedback loops to support learning by doing and drive ongoing process improvements

- measures to help the public sector build the appropriate level of capabilities to support successful transition to any new service delivery models.

It is also important to consider reform design from the demand side. In addition to measures that influence competition and contestably on the supply side, measures to enhance user choice under existing supply arrangements (e.g. as to when or where a service is used) may be more appropriate to enhance outcomes for service users.

The NSW case studies outlined in Section 9 illustrate how several of these design aspects have been incorporated into reforms, especially in social impact investment.

When designing reforms, it is important to keep in mind that there is a broad range of possible service delivery and regulatory arrangements to incorporate competition, contestability and user choice into human services. Figure 2 below provides examples, which is not an exhaustive list.

Figure 2: examples of service delivery arrangements that incorporate competition, contestability and user choice

Keep-and-improve	Applying contestability to government service provision by benchmarking it against potential alternative service providers
Recommissioning	Redesigning previously outsourced or privatised services or their contracting to prioritise improvement of outcomes.
Increased consumer choice	Even if there is no provider competition or contestability, value can be created by allowing consumer choice on the demand side. For example, in the health sector providing patients with information to choose whether to receive more or less invasive medical treatments can improve outcomes.
Payment by results	Paying providers based on outcomes rather than inputs or outputs (a model used in social impact investment).
Public-private joint ventures	Allows the technical expertise of the public sector to be brought together with the commercial and managerial expertise of the private sector
Public service mutuals	Mutual organisations are either owned by and run in the interests of existing members or employees, or owned on behalf of, and run in the interests of, the wider community
Commercialisation or corporatisation	Involves establishing a separate business entity which operates under commercial principles. Corporatisation involves establishing a legal entity in which the government provides strategic direction and retains public ownership

The particular design of a service delivery model and service delivery market should depend on the characteristics of the service market, providers and services users. There may be benefit in more explicitly framing the Commission's proposed framework at Figure 2 in the Issues Paper as not only a mechanism to help identify which service/user/market characteristics are amenable to competition reforms, but also to help governments focus on issues that may need closer consideration in designing reforms. For example:

- The potential benefits of increased competition will depend on government establishing market preconditions such as appropriate pricing, regulatory and competitive neutrality arrangements, or addressing barriers to the flexible entry and exit of suppliers (including information barriers, economies of scale or regulations).

- Government may need to take steps to lower the existing switching costs for service users wherever possible to help increase the potential benefits of user choice.

- The ability of providers to adapt to changes in service delivery – a factor identified as impacting the potential costs of increased competition – can be influenced by assisting providers to build an appropriate level of capability, and ensuring that they are informed about the environment they are operating in as part of transitioning to a new service delivery model.

The Commission should ensure that approaches to reform design are a focus in its recommendations at both stages of its inquiry.

Jurisdictions should also consider mechanisms to support the ongoing dissemination of practical knowledge and lessons learned – through an interjurisdictional 'what works' forum, for example. Sharing lessons learned from pilots and trials will be valuable to building overall capability of the public sector and managing risks in human services nationally. The directions being undertaken by the Steering Committee for the Review of Government Service Provision could provide one mechanism. The Productivity Commission, as part of its review, may wish to consider the most appropriate forums and mechanisms for the dissemination and sharing of such information.

Building public sector capabilities

Agencies will be required to redesign service models around outcomes and results, develop new markets, test existing markets or test all of a service line. This means that building the appropriate level of capabilities in the public sector will be critical to successfully transitioning to any new service delivery models. For example, commissioning skills with a clear understanding of how commissioning decisions influence incentives in the market; market testing and market development skills; data analytics and performance measurement; and contracting skills capable of supporting effective outcomes-based contracting.

Rural and remote considerations

NSW supports the consistent application of competition policy principles, including in rural and regional areas. It is important to note, however, that consistent application of the principles does not mean consistency in terms of the service delivery options chosen. In some cases there will be a net public benefit in maintaining a monopoly service provider (whether it is public or private sector), supported by an appropriate regulatory framework and contracting arrangements. This is more likely to be the case in rural and regional Australia where thin markets predominate.

The issue where a considerable burden of the costs of competition reform falls to particular regions or industries in rural areas was recognised by the National Competition Council who stated that this issue

> "…can only be tackled by governments dealing with universal service obligations and community service obligations. That is part of the ongoing regulation that will be required in any deregulatory regime to ensure that…all Australians, wherever they live, should continue to receive an essential service and receive it at a fair price"[6].

This point remains valid; the questions that arise in rural and remote contexts may well be managed through payments transparently attached to community service obligations, and through monopoly style regulation in rural and remote areas where there can only be a few or one viable supplier. The public interest test is a key part of this equation. It seeks to ensure that the costs and benefits of reform are transparent and carefully weighed up to ensure that a reform is in the interests of the community as a whole, while providing transparency on the trade-offs and any compensatory measures.

NSW is currently working with the Commonwealth and the Northern Territory to consider how competition principles can be applied consistently and effectively in regional and remote Australia.

6 Evaluating outcomes

The impact of service interventions on client outcomes can be evaluated through a range of rigorous measures – governments and service providers should cease using difficulty of measurement as an excuse not to put the information systems and data protocols in place to measure client outcomes and make better use of big data analytics that can illuminate client outcome from linking existing data. A strong emphasis on outcomes and measurement, both qualitative and quantitative, is important for ensuring the cost effectiveness of service interventions. Ways to measure service impacts on user outcomes can include:

- randomised control trials

- pre and post intervention comparisons or progression from baseline (e.g. the Outcomes Star[7])

- program logic and developmental evaluations.

The NSW Office of Social Impact Investment's Technical Guide for Outcomes Measurement[8] could be a useful resource for considering enhancing qualitative and quantitative measurement. There are also tools emerging for assessing quality in the way human services are delivered such as Hireup[9] and Clickability[10] for disability services.

It is important to compare the costs of investing in more detailed evaluation methods relative to the benefits derived from the information/performance data. However, performance data and information are generally underutilised in driving service improvements or considering outcomes at a cohort or system level (see Section 7 below).

The performance measurement framework used in the Report on Government Services reflects the process through which service providers achieve desired objectives by transforming inputs into outputs and outcomes. Figure 3 below shows how this process should be used for evaluating services and other types of interventions.

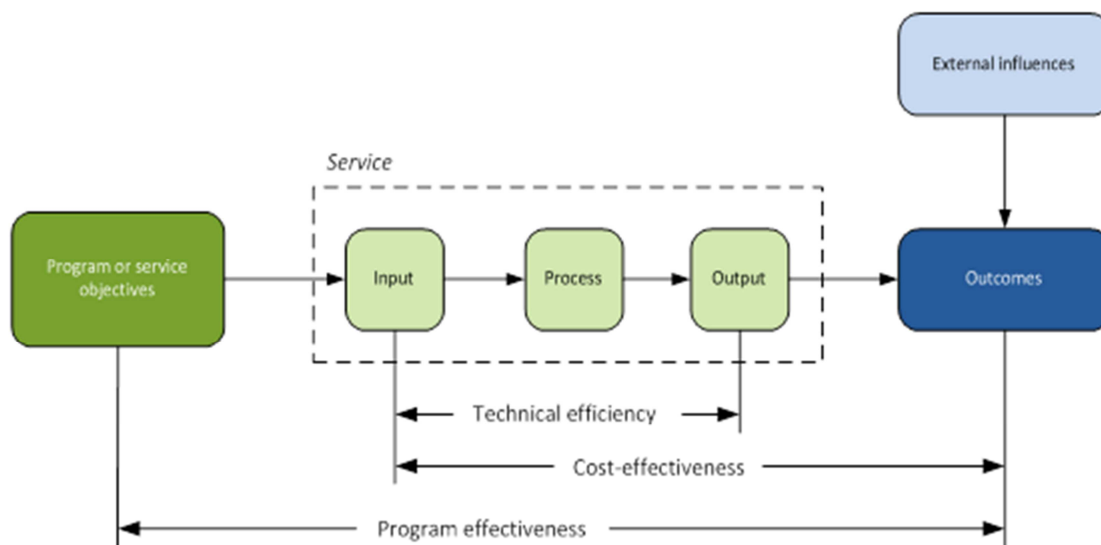[6] National Competition Policy: Some Impacts on Society and the Economy: National Competition Council, 1999. http://ncp.ncc.gov.au/docs/OINcpIm-002.pdf
[7] http://www.outcomesstar.org.uk/
[8] http://www.osii.nsw.gov.au/tools-and-resources/technical-guide/
[9] https://www.hireup.com.au/
[10] https://clickability.com.au/

Figure 3: Performance measurement framework from Report on Government Services[11]

Effectiveness of services could also be assessed by such factors as whether and how the service:

- addresses a user's need, including underlying causes resulting in the need for a service

- reduces the need for repeated interactions with government services, particularly crisis services

- engages or empowers users to take their own steps towards positive social and economic outcomes

- targets and is accessed by users who require and would most benefit from the service

- is not accessed repeatedly by the same users without any improvement in user outcomes

- is characterised by little or no information asymmetry that compromises the user's ability to make effective use of services

- provides a seamless or smooth solution with minimal adverse impact on the user.

Efficiency in human services could be assessed by understanding whether services:

- are delivered at lower costs, without diminishing quality of services offered to users (technical efficiency)

- represent a mix of goods and services that consumers value most, from a given set of resources (allocative efficiency)

- over time involve new and better products, and existing products at lower cost (dynamic efficiency).

Equity in access and outcomes could be assessed by whether and how users with the same needs and characteristics are able to access services and achieve the same positive

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[11] Productivity Commission, *Report on Government Services 2015: Volume A,* page 1.13.

outcomes despite their location, income, gender, sexual orientation, and ethnic or linguistic background.

Responsiveness could be assessed by user satisfaction and preferences as well as a service's flexibility, appropriateness and timeliness. However, this should also include whether and how services respond to user needs of accessibility in terms of language, disability, location, time of day and delivery method.

Accountability of providers could be assessed by the extent to which users and governments feel that they can hold service providers accountable for accessibility to services, and the efficiency, effectiveness, quality, appropriateness and timeliness of the services they access. There is also a need for governments to be accountable to their communities for the way they exercise the stewardship role in designing public service markets efficiently, effectively and equitably to improve outcomes from use of scarce community resources. Purchasers also need to be accountable to funders and the community for using available resources to best commission services to improve user outcomes in an equitable manner.

7 The importance of performance data and information in the human services sector

Information is essential for driving ongoing service improvements that better meet the needs of clients and service users. Governments and service providers need to have a rich, holistic understanding of individual user characteristics and needs; this is critical to effectiveness. For example, evidence indicates that effectively delivering human services to Aboriginal people requires community involvement and engagement and respect for language and culture[12].

This underlines the significance of governments' stewardship role to ensure there is good information on the features of clients and on the effectiveness of reforms to support choice and competition in human services, and achieve social and economic outcomes. The provision of information on what works is a key role of government, and is a key application of evidence based policy. For example, the UK Government has supported the establishment of a *What Works* Network that uses evidence to ensure that thorough, high quality, independently assessed evidence shapes decision-making at every level.[13]

This, in turn, highlights how important it is for governments to invest in data collection, de-identification and analysis, and also evaluation and feedback processes, to provide all parties with the right level of information to efficiently participate. This has been a central element of building a social impact investment market in NSW[14]. Governments need information to 'steward' provider markets and providers need information on their market. Governments require timely information on client outcomes and provider performance in order to understand the effectiveness of interventions and to target investment accordingly. Service providers will only be able to develop high-quality, responsive client-centred service solutions if they have timely information on the needs of clients. Clients and/or their decision-makers will only be empowered to enact user choice in selecting and switching providers if they have reliable information on what funding and services are available to them, understand what to expect from a provider, and understand the differences across providers.

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[12] The Closing the Gap Clearinghouse collected evidence on programs that works for
http://www.aihw.gov.au/closingthegap/what-works/
[13] See: https://www.gov.uk/guidance/what-works-network The network includes centres covering: Health and social care; Educational achievement; Crime reduction; Early intervention; Local economic growth; Improved quality of life for older people; and Wellbeing.
[14] http://www.osii.nsw.gov.au/tools-and-resources/

Effective competition, contestability and choice in the human services sector also requires greater client-level data to be shared between state governments, the federal government, service providers and clients on an ongoing basis, subject to appropriate oversight and privacy protections.

Ongoing data-sharing between governments and government agencies can be critical where government information is key to making markets function effectively (e.g. transparent pricing for the NDIS). To promote greater value for users, more of the information shared needs to be outcomes-related data, and robust outcomes and economic evaluations.

A further mechanism for improving data-sharing while protecting privacy is for governments to address inconsistencies in how privacy legislation applies to non-government providers and agencies in different jurisdictions.

NSW recently established the **NSW Data Analytics Centre** to inform solutions to complex challenges by sharing data from multiple agencies and enable targeting of resources to where they are needed. The NSW Data Analytics Centre facilitates data sharing between agencies to inform more efficient, strategic, whole-of-government evidence based decision making. It does that by leveraging internal and external partnerships so that the right capabilities, tools and technologies are applied.

Under NSW Treasury's **Financial Management Transformation** reform, work is underway to shift the NSW public sector to program budgeting and performance reporting, supported by sector-wide improvements in data collection and measurement. This wide-reaching reform will also improve the information base for understanding and assessing the performance of human services in NSW.

8 Technological change that is making competition and user choice more viable

Technological change can influence how services are developed, delivered, accessed and purchased. It has the potential to enhance user choice, accessibly to services, and service quality. For example, in the disability services sector, technology is enabling people with disability to have greater access to services and choose providers via online communication though platforms like Hireup[15]. Further, the National Disability Insurance Agency (NDIA) has developed an Assistive Technology Strategy[16]. This sets out the NDIA's vision to ensure NDIS "participants have choice in, and access to, individualised assistive technology solutions that enable and enhance their economic and community participation".

A range of types of technology are increasing competition and user choice as well as increasing access and equity in a cost-effective manner.

- **Mobile devices** – Health monitors and smart devices can enable clinicians to be alerted when a patient has heightened risk and can enable patients to more actively track and manage their own health. This reduces the need for other costly and resource-intensive service delivery models.

- **Online platforms** – Brokerage of services and communication on market information can be done online through platforms such as Hireup.

- **Mapping of services and need** – The development of tools to map demand and supply of particular human services can enable users to more easily access services,

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[15] https://www.hireup.com.au/
[16] http://www.ndis.gov.au/about-us/information-publications-and-reports/assistive-technology-strategy

providers to understand gaps and oversupply in demand, and support governments to fulfil their role as market steward.

- **Performance reporting websites** – The publication of data on the My School website[17] allows educators to share information about school achievements and characteristics with the aim of supporting and driving improvement. It also helps to inform parental engagement and decisions about their child's education.

- **Comparison websites** – Comparison tools can make it easier for users to compare and understand fees and charges and the nature of the service provided. NSW Fair Trading is developing a tool for consumers to compare and understand retirement village fees and charges that may be payable before, during and after engaging the service. For example, one village may have extremely high 'switching' or 'exit costs' payable when a resident leaves, which make the overall cost much higher.

- **Online forums** – Forums such as Clickability[18] can be used to share information and feedback on providers.

9 NSW case studies

The following case studies of current reforms underway or recently completed in NSW are provided to aid the Commission's consideration of the service provision landscape in Australia.

NSW Commissioning and Contestability Unit

On 10 June 2016 the NSW Government announced the establishment of a Commissioning and Contestability Unit (CCU) to develop and lead a whole of Government approach to commissioning and contestability for service delivery.

> "Our principle in Government has always been to deliver quality services to the people of NSW, no matter who is providing the service" NSW Treasurer, Gladys Berejiklian.[19]

> "What matters is that citizens are put at the centre, and whether that means government providing its services better, or partnering with the best of the private sector, the CCU will be a powerful tool to make that happen" NSW Minister for Finance, Dominic Perottet.[20]

The CCU is a key part of the NSW Government's State Priority to deliver better services to customers which includes putting the customer, not the provider, at the centre of all NSW services. The CCU will partner with government agencies to build on and improve the way NSW delivers and uses resources, to help expand services, create new services and improve the quality and performance of existing services.

The CCU will help agencies design, procure and deliver services with the right providers regardless of whether these are public, private or not-for-profit. A strong and consistent whole of government approach will enable more effective and efficient use of resources, and for every service to be delivered in the best possible way.

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[17] https://www.myschool.edu.au/

[18] https://clickability.com.au/

[19] *NSW Budget: New Unit to Improve Service Delivery*, NSW Treasurer Media Release, 10 June 2016 http://www.gladys.com.au/content/nsw-budget-new-unit-improve-service-delivery

[20] *NSW Budget: New Unit to Improve Service Delivery*, NSW Treasurer Media Release, 10 June 2016 http://www.gladys.com.au/content/nsw-budget-new-unit-improve-service-delivery

The establishment of the CCU builds on NSW reforms already underway and outlined below in the following case studies. The case studies seek to assist the Commission by presenting insights on the following aspects of reforms:

- Objective of reform

- How the new approach to service provision differed from previous approaches

- Implementation, risk management and lessons learned

- Assessment/evaluation methodology

Also, to support work on outcomes-based funding and social impact investing, NSW Treasury commissioned Ernest and Young (EY) to prepare a report in 2015 on the development of outcomes-based contracting for out of home care and other human services provision, a copy of which is attached.[21]

Social impact investment approaches

Objective of reform

Social impact investment is an emerging approach to tackling social challenges. It brings together social capital and expertise from the public, private and non-profit sectors to deliver better outcomes for communities.

It has distinct features that incentivise different, more effective ways of working:

- measuring and paying for outcomes
- removing input controls to encourage innovation in service delivery
- sharing the risks and benefits of service delivery though partnerships
- investment in better targeted services.

Building on the promising results of Australia's first social benefit bonds, the NSW Government launched its Social Impact Investment Policy in 2015[22]. A key action in the policy is to aim to bring two investments to market each year.

How has the new approach to service provision differed from previous approaches?

In NSW, social impact investment is focused on trying new approaches in areas of high need, poor outcomes and/or service gaps. Over time, this should increase user choice as the breadth and depth of human services expands.

When developed with government, social impact investments often resemble outcomes-based contracts. Payments for services are contingent on demonstrating improved social outcomes and achieving long term savings for government (often in the form of avoided future costs). This is a big shift from how government has traditionally funded services, which tends to focus on inputs, activities and outputs.

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[21] Ernst & Young, *Development of outcomes-based contracting for out of home care and other human services provision: health and human services summary report,* Report prepared for the NSW Government, October 2015.
[22]

http://www.dpc.nsw.gov.au/__data/assets/pdf_file/0011/168338/Social_Impact_Investment_Policy_WEB.pdf

Social impact investments frequently involve private investors that provide upfront finance and working capital to cover the costs of service delivery until outcome payments begin. This allows government to share the risks of service delivery (i.e. that the service will not achieve the outcomes it is designed to) with its partners. In return for sharing this risk, partners may also share in the benefits of an effective service with different payment structures possible.

Social impact investments also differ in the way they are commissioned and developed. Traditionally, governments may release a service specification that providers then compete for, based largely on price. In NSW, service providers are asked to respond to an identified need with their own solution, underpinned by evidence and their on-the-ground understanding of the issue and client group. A staged commissioning process is used:

1. *Release a periodic Statement of Opportunities*, identifying policy areas in which the NSW Government believes there are opportunities to achieve better outcomes through social impact investment.

2. *Hold market sounding sessions* or targeted consultation events to test the interest, capacity and capability of the market to respond.

3. *Open a request for social impact investment proposals (RFP)*, which may identify one or more priority areas but are open to proposals in any policy areas. Not-for-profit and for-profit providers, alike, may respond. Partnerships and consortia among providers and intermediaries are encouraged. This approach encourages a diversity of providers and ideas. All proposals are evaluated against criteria: (i) demonstrates social impact, (ii) robust measurement, (iii) value for money, (iv) likely to achieve social outcomes, and (v) sharing of financial risk and return.

4. *Joint development phase*, an intensive period of negotiation between parties to agree the services costs, measurement framework, and financial model. We aim to complete these negotiations within six months, resulting in an implementation agreement.

We encourage proposals to be evidence based, as well as innovative, recognising the inherent tension of this dynamic. Proposals need to outline a reasonable level of evidence that a service is likely to achieve the outcomes it is designed to. However, proposals should also consider opportunities for innovation, for example:

- bringing together different service components in a new way
- using new technology or applying existing technology creatively
- applying new funding models
- applying an established service model in a new and innovative way, or to a different location, client group or issue.

Other actions in the Social Impact Investment Policy include promoting the market, and building capability and capacity among non-government organisations and agencies. In this way, the NSW Government acts as market steward as well as direct participant.

Implementation, risk management and lessons learned

In 2013, NSW implemented Australia's first social benefit bonds, the Newpin bond and The Benevolent Society bond. Both bonds fund support services in the child protection space.

The Newpin social benefit bond funds an intensive parenting support program to safely restore children in out-of-home care to their families. The bond has a $7 million principal and a seven year term. The bond's key performance indicator is the restoration rate of children who enter the program. This rate is the proportion of children referred to the Newpin program who are returned from out-of-home care to their families. Returns to investors are determined by this rate.

In the two years to 30 June 2015, Newpin had successfully restored 66 children to their families and supported another 35 families to prevent their children from entering out-of-home care. This equates to a cumulative restoration rate of almost 62 per cent, compared to a baseline of 25 per cent. Investors received an 8.9 per cent return, building on their first year return of 7.5 per cent in 2014.

The Benevolent Society bond funds the Resilient Families Service to work with at-risk families for up to nine months to prevent children from entering out-of-home care. This bond has a $10 million principal and a five year term. Returns will be calculated at the end of the term, based on the performance of the program.

On 12 July 2016, the NSW Government announced Australia's first social impact investment targeting parolees with the aim of reducing the rate of reoffending and re-incarceration. The investment will support a new program, On Tracc (Transition Reintegration and Community Connection), which will work with up to 3,900 parolees over five years to prevent reoffending and re-incarceration. On Tracc will provide parolees with intensive individual support to assist their successful reintegration into the community, particularly in their first 16 weeks of parole. The NSW Government will partner with not-for-profit groups Australian Community Support Organisation (ACSO) and arbias to deliver On Tracc, supported by a joint investment from National Australia Bank (NAB) and ACSO.

NSW is currently negotiating three more social impact investment transactions to:

- support vulnerable young people, particularly care leavers, to transition to independence
- manage chronic health conditions
- manage mental health hospitalisations.

NSW is also exploring opportunities for future investments in other areas, including:

- increasing access to early childhood education
- increasing permanency for children in out-of-home care, particularly through open adoption
- reducing youth unemployment
- establishing an Aboriginal centre of excellence in Western Sydney
- homelessness among veterans
- improving waste management
- road safety
- domestic and family violence.

The Office of Social Impact Investment, a joint team of NSW Treasury and the Department of Premier and Cabinet, oversees implementation of the Social Impact Investment Policy. Joint development phases involve negotiations between proponents and the lead agency

responsible for the policy area in which a proposal has been made, with support from the Office. Implementation contracts are signed by proponents (or special purpose entity) and the lead agency, with ongoing monitoring supported by the Office.

Key lessons learned from developing and implementing the social benefit bonds, and recent RFPs and joint development phases[23] are:

1. *Be flexible*, particularly in these early days for the market. NSW is interested in trying models other than bonds, which can be costly and complex to implement. NSW is also open to making changes and adjusting as we go if something is not working or could be improved.

2. *Focus on evidence-based services*, which are more readily developed into investments. At this stage, investors want to be reasonably confident that a proposed service can achieve the outcomes it's designed to.

3. *Innovation happens at many levels.* It isn't just large scale, transformational change but incremental innovation that can lead to big improvements. Our bond partners have demonstrated a willingness to be responsive to data and adjust their services accordingly.

4. *Social impact investment is not a panacea*. It is important to be selective about where and how social impact investment is applied. The availability and quality of data is an important consideration.

5. *More capacity is needed across all sectors.* There is lots of interest and enthusiasm for social impact investing but a lot of work is needed to support both government agencies and non-government organisations to participate. Linking payments for services to outcomes is challenging and a particular focus of our work in NSW.

Assessment methodology

Measuring outcomes is at the heart of social impact investment. Just as financial investments are often measured for their dollar return, social impact investments require a 'metric' for investors and the government to see social impact. A robust measurement framework is developed for each investment during the joint development phase. Essential elements of a measurement framework are:

- clear and reliable outcome measures
- a well-defined client group
- robust methods to determine performance.

Where possible, NSW seeks to measure the performance of a service by comparing outcomes for the intervention group against those of a control group. The measurement framework largely supports the payment structure underpinning each investment. In some cases, like the social benefit bonds, outcomes and associated payments are independently verified. Broader and less tangible outcomes of a service are examined through independent evaluations.

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[23] http://www.osii.nsw.gov.au/assets/office-of-social-impact-investment/files/Lessons-from-the-2015-requests-for-social-impact-investment-proposals.pdf

Northern Beaches Hospital Redevelopment

Objective of reform

The aim is to address demand and cost pressures on current and future health services by consolidating services located on Sydney's Northern Beaches into a single facility for both public and private patients.

How has the new approach to service provision differed from previous approaches?

This model integrates the delivery of health services for both public and private patients into a single facility, allowing private patients to elect whether to be treated as a public or private patient within a single facility.

The model also separates the funding and delivery of health services, whereby funding for public patients is provided by the State and the delivery of services is provided by Healthscope. The costs of public and private service delivery can be compared under the national Activity Based Funding (ABF) arrangements for public hospital services by national weighted activity units (NWAU).

Implementation, risk management and lessons learned

Key implementation risks were identified in the areas of:

- integrating the new operating model into the existing Local Health District health/hospital network

- contract management

- communications and engagement.

A key implementation lessoned learned was the value of using an Integrated Delivery Team that included central government agency representatives. This approach to implementing reform has since been adopted on other projects.

Assessment methodology

The Agreement between Healthscope and the State provides a comprehensive mechanism by which quality and outcomes are measured and incentivised. It also places obligations on Healthscope to provide regular reporting to the Northern Sydney Local Health District.

NSW mental health reforms: enhanced community-based supports

Objective of reform

Community-based mental health supports the aim to deliver integrated psychosocial support services to people with severe mental illness living in the community, in a way that can be adjusted to meet individual needs and goals. The reforms aim to improve integration of service delivery including with general practitioners and non-health support services.

The desired outcome is increased access to flexible, individualised support services within the community so as to:

- reduce hospitalisations

- improve physical and mental health

- improve capacity to sustain tenancies

- enhance life skills, community participation, independence and relationships

- enhance individual recovery, reflecting individual needs and goals.

How has the new approach to service provision differed from previous approaches?

Flexibility to respond to the needs of service users

Support-recipients and partners collaborate to develop an Individual Support Plan, which identifies the range and types of supports that reflect individual client goals, and is reviewed quarterly.

Greater flexibility to respond to the needs of support recipients is enabled by commissioning community-based supports on the basis of a total number of daily hours of support for each Local Health District (LHD). This differs from the previous standalone packages of support with set daily or weekly hours per client.

This new approach provides the necessary flexibility for providers to adjust the intensity and type of support activities according to individual needs and choice, including responding to needs which change due to the episodic nature of some mental illnesses.

Commissioning for outcomes

The following high level outcomes are established in the funding agreements for the program:

- strengthen community-based models of care that ensure the NSW health system has strong, integrated and effective responses to people's needs across the whole continuum of care

- ensure people have access to clinical services to maintain physical and mental health, and psychosocial supports that promote daily living activities

- enable people with severe mental illness and high levels of impairment to maximise their participation in the community and sustain successful tenancies

- reduce hospitalisation rates and lengths of stay in hospital for people with mental illness

- support people currently in inpatient facilities to transition to independent living in the community

- improve support for offenders with mental illness and people already living in social housing who may not be accessing the support they need.

There are two primary community based psychosocial support programs being commissioned (or recommissioned) in NSW. Opportunities to engage two different providers in a Local Health District are also being considered as part of the commissioning process, recognising the potential to provide services users a choice of provider.

Sensitivity to local need

Responding to local community needs is a key component of the community based support reforms. To facilitate this, tailored specifications have been developed for each LHD in consultation with local mental health clinical teams. Standard procurement processes have then been modified to provide for a partnership approach to commissioning decisions between the devolved LHDs and the Ministry of Health. This allows for appropriate

consideration of local needs while retaining centralised consideration of state-wide risk issues, including diversity of providers and overall sector sustainability.

Diversity of providers

Service specifications have been drafted to minimise competitive impediments to proposals from interstate organisations e.g. no requirements for previous service delivery in NSW or other familiarity to local services.

Initial funding agreements will be established for three year periods, despite a longer period being approved for the program. This is considered an appropriate period to provide sufficient time for providers to establish the service and to conduct a comprehensive program evaluation.

Separation of policy (including funding) and delivery

There is separation between funding and service provision for community living supports in NSW. Operational agreements to ensure integration across the continuum of care are between LHDs and providers.

Implementation, risk management and lessons learned

Service provision for enhanced community based supports is yet to commence so implementation challenges, if any, are as yet unclear.

A key challenge arising in the commissioning/procurement process to date has been how to ensure that the evaluation process enables an assessment of how responses in LHDs can meet local needs, while also providing necessary consideration of state wide risk issues (and or impacts) including diversity of providers and sector sustainability.

This issue has been addressed by modifying standard procurement evaluation approaches. Similar approaches could be implemented by agencies with devolved operational structures similar to the NSW Health Local Health Districts. Further details could be provided if necessary.

Assessment methodology

The minimum standards for quality are established as the National Mental Health Standards (2010) which are mandated under the funding agreements.

The basic approach to continuous assessment of service performance and intended outcomes is as follows:

1. The funding agreement (between the Ministry of Health and the provider) establishes obligations including:

    a. high level outcome objectives

    b. Service Performance Measures including:

        i. Measures of client participation in activities and programs, annual health assessments and chronic disease management programs in accordance with the Individual Support Plan

        ii. Annual measure of client satisfaction which can be considered a proxy for how the service is responding to individual goals and needs

      iii.   Timely completion of a Minimum Data Set. This is currently under development with consideration of the intended program outcomes.

   c. requirement to adhere to additional service guidelines as established in Program Manual, to be developed.

2. Operational service delivery requirements (including integration with local mental health services) are established in Service Level Agreements with LHDs mandated under the funding agreement

3. MoH contract management procedures provide mechanism for regular review and monitoring of performance of the provider and to ensure funding agreement obligations are met

4. It is intended that there be a comprehensive program outcomes evaluation conducted in the first three year funding agreement period.

Future Directions for Social Housing in NSW

Objective of reform

The current NSW social housing system is facing a range of challenges in meeting the needs of vulnerable people across NSW, including a waiting list of nearly 60,000 people, ongoing funding pressures and an ageing property portfolio. With the private market becoming increasingly unaffordable and people in social housing tenancies staying longer, the demand for social housing is high and continues to grow.

In January 2016, the NSW Government launched its new 10-year reform strategy for social housing, *Future Directions for Social Housing in NSW*. The strategy will drive better outcomes for tenants including helping those who are able to transition out of social housing. Future Directions is underpinned by three strategic priorities:

- more social housing;

- more opportunities, support and incentives to avoid and/or leave social housing;

- a better social housing experience.

This strategy looks at the whole continuum of social housing from homelessness to the private market.

How has the new approach to service provision differed from previous approaches?

Reforms delivered under *Future Directions* will see the NSW Government working in partnership with all levels of government, not-for-profit housing providers, the private sector and social housing tenants to deliver more housing with better support services.

Future Directions will transform the NSW social housing system through:

- Expansion and redevelopment of stock – this will see NSW Government working in partnership with the private sector to develop and finance social housing.

- Transfer of tenancy management – this will include the transfer of up to 35 per cent of tenancy management responsibility to non-government housing providers starting in 2017.

- "Wrap-around" services to support tenants build their capabilities and take advantage of opportunities available to them, which will include:

o Increasing the number of recipients of Private Rental Assistance by 60 per cent by 2025; Introducing a new medium-term rental subsidy, and expanding access to our successful Start Safely program – a rental subsidy for people escaping domestic or family violence.

o Introduce Personal Support Plans that provide tailored support to people to improve their circumstances and become more independent. There will be three locations initially with a view to expand to other sites. We will assist people to set goals and support them to achieve them.

o Expand the FACS Scholarship Scheme to offer young recipients assistance from Year 10 until the completion of further education and/or training.

o Establishing new employment services for disadvantaged jobseekers in targeted locations; including expansion of one of our successful programs that connects social housing tenants to training and employment in the disability and aged care industries.

Implementation, risk management and lessons learned

Future Directions was launched in January 2016, with programs and initiatives at various stages of development and implementation.

Implementation risks are being closely managed by a steering committee and overseen by a program board that includes senior representation from agencies across Government.

Lessons learned will be identified through Future Directions evaluations, as well as program/initiative specific evaluations.

Assessment methodology

The contracts that NSW Family and Community Services (FACS) is developing with service providers for initiatives delivered under *Future Directions* will include arrangements for reporting against targets and benchmarks based on outcomes achieved as well as processes or inputs. To support this approach, the NSW Government is developing a robust Human Services Outcomes Framework that includes outcomes and measures specific to social housing initiatives and support services.

More broadly, the outcomes-based evaluation plan being developed for Future Directions will apply to the Social and Affordable Housing Fund, Communities Plus, Management Transfers Programs and the Social Improvement Initiatives. This outcomes-based approach links strategic objectives to sound evidence bases, e.g. research, evaluation and experience, and focuses on how FACS will assist clients. The evaluation strategy will be released in late 2016. Interim measures that align to state priorities are reported to NSW Cabinet on a six monthly basis.

Homelessness: Going Home Staying Home reforms

Objective of reform

The reform of the homelessness services system aimed to address increasing homelessness in NSW. Despite significant effort and investment to reduce homelessness:

- the 2011 Census identified a 27 per cent increase in the overall number of homeless people in NSW since 2006.

- there was also a 20 per cent increase in the number of people sleeping rough on the streets and a 17 per cent increase in the number of Aboriginal people who were homeless.

These increases reflected the fact that as the NSW population increased, the number of homeless people in NSW was also increasing. However, of significant concern was that, in addition, there was a 20 per cent increase in the rate of homelessness in NSW.

The NSW Government's *Going Home Staying Home* (GHSH) reform aimed to enhance accessibility to services so that fewer people are turned away when they need help, and help clients break the cycle of homelessness by:

- improving the responsiveness and flexibility of services

- increasing the focus on intervening early to prevent homelessness

- making it easier for clients to access the right service for their need

- better matching demand and supply

- developing the industry and its workforce

- strengthening the quality and performance of services

- reducing unnecessary red tape and administration.

How has the new approach to service provision differed from previous approaches?

Previous approach

The specialist homelessness services (SHS) sector had been operating in NSW for 30 years without major system reform and was focused on responding to people in crisis rather than intervening early to prevent people from becoming homeless. The distribution of services across the state had not kept up with changing locational needs, leading to duplication in some locations and service gaps in others.

Service delivery had also not kept pace with more contemporary evidence-based service models and the SHS system was characterised by:

- clients not being able to access the right service at the right time and often bouncing between services. For example, approximately 30 per cent of callers to the After Hours Temporary Accommodation Line and the Homeless Persons Information Centre were referred back and forth between these services

- clients needing to shop around for services to get the suite of services they needed, as no one service could meet or coordinate all their needs

- clients having to tell their story repeatedly every time they went to a different SHS because services did not share client information through a common client information management system

- too many services that were not joined up or operating in partnership; there were few joint working arrangements in place where services shared expertise and resources

- fragmentation across the sector with funding delivered through many small-to medium-sized grants with very few holistic, integrated services.

New client-centred approach

The GHSH reform was developed through a highly collaborative process over two years between government, peak non-government bodies, consumer representatives, a range of industry experts and extensive consultation with frontline service providers.

A key part of the reform was to ensure service delivery was built around the needs of the client rather than a "one size fits all" approach to service delivery and focussing on clients in crisis.

The new service delivery framework is designed to be client-centred by operating within a "no wrong door" approach, which means that people who are homeless or at risk of homelessness receive a response that will best fit their needs through:

- easy access and a clear pathway to the services they need

- an initial risk and needs assessment based on consistent practice to determine immediate needs including any safety issues

- consistent and accurate information and advice without the need to visit multiple services before their needs are assessed.

Accountability

Service providers that receive funding under the SHS Program are accountable for the services they deliver to clients on behalf of the NSW Government. FACS has instituted a mandatory, formal, annual process to give effect to this accountability.

FACS district contract managers and lead service providers use data to inform their evaluation of whether the service is meeting targets and performing satisfactorily and to improve the design and targeting of service delivery over time.

Encouraging a diversity of providers

The GHSH reform recognised that different providers of varying sizes cater for different client needs, including women and children escaping domestic and family violence, and homeless young people. The reform provided an opportunity for some small or specialised services to choose to amalgamate or network with other services through alliance or consortia models if they considered this would increase their service delivery options, reduce their administrative burden and improve outcomes for clients.

FACS also established the Service Support Fund (SSF) to provide eligible small to medium-sized non-government organisations that were unsuccessful in the tender process with the chance to demonstrate, through a project plan, that they could provide a homelessness service that would otherwise not be provided by the GHSH reforms. Eligible providers were given an opportunity to integrate such a service into the homelessness system or negotiate future sub-contracting arrangements with the new providers.

Contract durations were extended to provide greater certainty for the sector, which had been unsettled as a result of the reform and the competitive tender process, and to provide more time for services to consolidate and integrate their services and the new service delivery frameworks. The original duration of SHS contracts was for three years (due to expire on 30 June 2017); however, this was extended to 30 June 2020.

Outcomes-based contracting

The NSW Government will progressively introduce outcomes-based contracting for homelessness services as a means to improve service delivery. This will help link performance and funding to client outcomes to ensure the system is delivering the best

services to those who need them most. This also presents an opportunity to provide a substantial evidence base to demonstrate how services and programs are helping to change the lives of the people that use them.

NSW Family and Community Services (FACS) has engaged Ernst & Young (EY) to support the development of a plan to implement outcomes-based contracting for the Specialist Homelessness services sector. The plan will:

- reflect international evidence of best practice in outcomes-based contracting

- have consideration of the current service system and various pieces of related work being progressed by FACS and other stakeholders, including the FACS Client and Social Housing Outcomes Frameworks

- reflect the outcome of meaningful consultation with the sector and other key stakeholders

- propose a roadmap for implementation of an outcomes-based contracting methodology for homelessness services.

The EY work will help inform the Homelessness Strategy currently being developed by FACS. The Homelessness Strategy will be the framework that ensures commitment to better coordination and collaboration between sectors and services both state-wide and at a local level. The Strategy will define the outcomes to be delivered by the social service system, in its broadest sense, for people who are homeless and at risk of homelessness.

The EY work will be an integral contributor to the development of system outcomes measures, as well as community and individual client level outcomes and measures, and includes approaches that ensure the sector and people who have experienced homelessness are involved in the design of meaningful measures.

Implementation, risk management and lessons learned

Implementation of the reform of the specialist homelessness services system has established a strong foundation on which an effective, responsive and innovative service system has been built. The reform has moved into a consolidation phase where the focus is on establishing best practice, performance, accountability and innovation in service design and delivery.

Key lessons

The extent to which services are "brought along" as part of a major reform process has a value in and of itself – for FACS, services and for clients. Timeframes that do not allow for developmental processes and clearer communication of the change intent run the risk of compromising future relationships with services, clients and the community.

Building leeway into a timeline will allow for the kind of contingencies that will inevitably occur. If early stages of the reform plan do not run to time, then consideration should be given to extending deadlines to avoid creating undue pressure on the sector.

An initial assessment of an organisation's and sector's preparedness to embark on a large-scale reform process may help to identify any gaps in resourcing, structure or staff at the outset and plan to address these in such a way as to support a smoother and more effective change process.

The collaborative design approach adopted during some stages of the reform is not necessarily familiar to people. Future similar reforms may benefit from a co-design approach, and/or embedding a cultural change approach that includes an educational and

developmental component, to support stakeholders to engage and act differently through the process.

Many stakeholders identified a lack of understanding of where and to what extent their input had been understood and taken into account in the GHSH reform process. FACS could have done more to communicate where and in what ways feedback had been incorporated into the reforms, to provide visibility of where input had and had not been actioned, and the reasons for those decisions.

An explicit, specialised change management framework may also have helped FACS to understand where services were starting from, and work with them more effectively to get to where they needed to be.

For future reforms, earlier thinking, debate and discussion is needed around alternative procurement approaches for human services that build on highly collaborative service design and provide a more coherent and consistent approach.

Where traditional NSW Government procurement methods are applied, it would be better to conclude the collaborative design phase before starting procurement, with a clear demarcation between the two, which is known from the outset. This may avoid confusion, and potential negative flow on effects.

Value of reform trials

The 2009–2014 National Partnership Agreement on Homelessness (NPAH) projects provided an opportunity to trial new approaches to respond to people who are homeless or at risk of homelessness, and to drive reform in the sector. Through the NPAH projects, service providers demonstrated some excellent innovations and achieved successful outcomes for clients in NSW. These outcomes informed the NSW Government's decision to invite NPAH-funded providers, many of whom were also SHS providers, to participate in the GHSH reform procurement process.

Assessment methodology

The Specialist Homelessness Services (SHS) Monitoring and Evaluation Strategy provides a framework and plan for monitoring and measuring the effectiveness of the specialist homelessness services system in meeting the needs of people who are homeless or at risk of homelessness in NSW.

The strategy will guide a suite of evaluation, program review, and monitoring activities to assess the performance, impact, effectiveness and efficiency of the GHSH Reform and the SHS Program. The strategy will also provide a strategic framework for alignment and integration with program and performance management, capacity building, and continuous improvement activities and priorities across FACS, NSW Government, the SHS sector, and social policy research.

FACS has engaged the Australian Housing and Urban Research Institute (AHURI) and the University of NSW Social Policy Research Centre (SPRC) to undertake an Early Review of the SHS Program. The review will provide timely feedback about how the new SHS service responses and system reforms are being implemented. It will look at what is and is not working well and identify key areas where FACS and the homelessness sector can work together to improve services.

The Early Review also includes four place-based case studies. SPRC is currently scheduling and undertaking interviews for these case studies.

Following the Early Review, an Outcome and Economic Evaluation of the SHS Program will deliver a detailed examination of client and service system outcomes. The scope and design of this activity will be developed with the Advisory Group.

In addition, all SHS and SSF providers were invited to complete an online survey between 9 May and 3 June 2016 about their experiences with the Client Information Management System, Vacancy Management System, Link2home and other SHS Program tools and policies. Clients are now being invited to complete a survey about their experiences. The survey will be available until 30 June 2016 to people who are currently receiving, or have recently received, specialist homelessness services in NSW. The survey is also available to anyone who tried to receive support but did not get it.

Assessment responsibilities

The SHS Monitoring and Evaluation Advisory Group (MEAG) has been established to facilitate consultation and communication between key stakeholders across government, academia and the specialist homelessness services sector.

Under its Terms of Reference, the MEAG provides expert and independent advice on the scope, design and implementation of activities under the SHS Monitoring and Evaluation Strategy.