Response to the Productivity Commission's Inquiry into Human Services Issues Paper

Introduction

The Department of Social Services (the Department) welcomes the opportunity to comment on the Productivity Commission's Issues Paper, *Reforms to Human Services* (the Paper) released 12 December 2016. The Department notes the Productivity Commission has included a number of issues raised in previous submissions provided by the Department and other stakeholders.

The Department reiterates the view expressed in earlier submissions that the primary focus of the Department's policies and programs is to drive better outcomes for vulnerable Australians. Although competition, contestability and informed user choice are useful mechanisms for better achieving outcomes in some circumstances, in others they may not be the right mechanisms for the targeted cohort in a particular place or at a certain point of time.

The Commission set out a range of questions in its Paper relating to competition, contestability and choice in general, and the identified human service areas more specifically. This submission will discuss competition, contestability and user choice broadly, drawing examples largely from the priority area of family and community services. Additional information will be provided on the other priority areas relevant to the Department's portfolio, remote Indigenous services and social housing. The paper will then provide an overview of the Department's outcomes-based commissioning approach. **Annexure A** provides information on place-based initiatives. **Annexure B** outlines the Department's position on evaluations, data and the use of policy trials.

Competition and contestability

Diversity in the Department's operating context highlights the importance of a flexible approach to how and where competitive and contestable practices are utilised to improve service outcomes. The Commission's position that greater competition and contestability can lead to a range of benefits, but are not always appropriate, feasible or effective in human services, is consistent with the Department's experience. As discussed below in the context of user choice, the Department funds services in a range of different markets. This includes funding community organisations, which have a value that extends beyond their service delivery role. For example, a small organisation will often be embedded within a local community, and draw in value, such as social capital and volunteers, beyond the activities outlined in a funding agreement. The delivery of Emergency Relief is a good example, which can be managed by very small organisations for minimal cost (and often by volunteer staff), but which provide an important benefit to highly vulnerable individuals. This broader community value needs to be taken into account in any consideration of human service competition framework.

The Department employs a range of contestable practices to improve service provider performance or help build the market where competition is not suitable.

For example, the Department's Data Exchange (DEX) provides a standardised outcomes framework focused on a core set of priority requirements which apply to more than 45 programs. Benchmarking funding to specific outcomes as measured by DEX could increase contestability by incentivising service providers to meet certain performance standards. This will help improve the way the Department collects and uses program data to drive ongoing performance.

The Department utilises several approaches to competition in its service delivery. As discussed in previous submissions, these include competitive tendering processes, competition-in-the-market, and fee-for-service models. The main approach is competitive tendering, where providers compete for grants to deliver services to meet a specified need.

Competition principles are often only applied at the stage of selection processes. There is space for the Department to consider how to employ competition principles at other stages in program development and implementation.

While contestability is utilised in some areas across the Department, a lack of sound understanding of the costs and benefits is a barrier to introducing greater competition and contestability. The Department's proposed commissioning approach provides space to better develop this knowledge. Monitoring and facilitating the market during program development and implementation, and monitoring service provider performance gives the Department an opportunity to identify the circumstances where contestable practices improve user outcomes.

The NDIS highlights strong government stewardship is required to build market capacity and ensure a smooth market transition. To be viable in the future, disability service providers under the NDIS need to build capacity to operate in a competitive environment. This includes monitoring the broader market and adapting services to the needs of changing user cohorts. This is a significant shift from service provider's previous experience of block funding. In order to support the market during transition to the NDIS, the Department has contributed over $3 million to a range of initiatives focused on provider readiness and capacity building to prepare the sector. The NDS State of the Sector Report indicated:

- 79 per cent of respondents say they have a clear strategy for the next year;

- 66 per cent of respondents say they have a clear vision of where the organisation will be in three years; and

- 60 per cent of respondents reported comfort with keeping up with current demand.

The Department is also developing strategies to assist and encourage service providers to operate in rural and remote areas. This includes working with other Commonwealth agencies that deliver health and community services in regional and remote areas to leverage off existing services and infrastructure. The NDIA also provides an additional 'rural and remote loading' to NDIS prices.

Collaboration

The Department welcomes the Commission's inquiries into ways to ensure competition and contestability does not limit providers collaborating. When done effectively, collaboration means the development and agreement of shared objectives and program delivery across relevant stakeholders, moving beyond stakeholder engagement. The Department has had mixed experience in the interaction between collaboration and competition and contestability.

For example, the NDS State of the Sector Report 2016, found that the majority of surveyed organisations in the disability services sector actively collaborate with others to advocate for individual clients or for the sector as a whole. This suggests that, at this point, the introduction of competition to disability support services through the NDIS has not stifled collaboration.

In contrast, the Forrest Review: Creating Parity (2014) (Forrest Review) found that essential service delivery in remote Indigenous communities has not been effective, largely due to the competitive tendering processes applied across governments. The report states that competitive tendering processes are likely to continue to deliver lowest common denominator outcomes for remote communities.

User Choice

The Department recognises that, when suitable, choice has the potential to increase a user's sense of control and wellbeing, and makes service providers more responsive to user needs and market demands. However, there are also significant costs associated with greater choice. For the user, cognitive costs may arise from the added complexity to a system, including additional time required to make an informed choice and increased stress. The government may also incur financial costs, including funding commitments to multiple service providers, guaranteeing funding to service providers during a market transition, costs of providing information and services to support choice, and funding additional capacity-building supports. There will also be times where greater user choice will not improve outcomes, and other strategies, such as welfare conditions, may be more effective. It is important to utilise available quantitative and qualitative data and analytics, program evaluations, and stakeholder input to analyse the policy environment and weigh up the costs and benefits of added choice. In some instances, enhancing self-efficacy, agency and motivation may be a more useful frame.

<u>Suitability in the Department's context</u>

The Department funds a broad range of programs and services, with various objectives and target cohorts where a one-size fits all approach to implementing greater user-choice would be ineffective. Rather, the Department recognises that there are a number of factors underlying a program's suitability for user choice. These include, but are not limited to:

- Market capacity: maturity of the current market and competitive practices; stability of the sector; whether general or specialist services are offered; and structural supports required during transition to a user-choice model.

- Targeted users: appetite for risk and choice; time available to seek information; interest and motivation in seeking information; capacity to make decisions; and cost of added complexity.

- The relevance of choice: a person in crisis is more likely to need immediate, targeted support from a reliable service provider than a choice of provider. The offer of choice will likely add to the stress of a situation than support a person in crisis.

- The time available to introduce user choice to the market.

- Alignment of intended government outcomes and user intent: for example, policies aimed at reducing alcohol consumption or vaccination of children may not be a core priority for the user.

Case Study: User choice in Department's programs

User choice is embedded within the legislation, governance and funding structure of the **National Disability Insurance Scheme** (NDIS). The national roll-out of the NDIS provides insight into the process of implementing user choice and serves as a good example of the time and cost required when introducing wide scale reform.

The development of an appropriate funding model for future disability services was subject to significant inquiry and strategic thinking, including by the Commission. While the result was user-directed funding, participants have options over the level of choice they wish to exercise. For example, some participants may choose specific services and service providers to suit their individual needs, while others will select a pre-bundled service offering. Implementation of the NDIS has occurred over an extended time period to ensure consumer and market readiness, and learnings from trial sites (while influenced

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by geographic constraints and user groups) have been fed into the scheme's national roll-out. While the Department has facilitated development of the disability services market in some areas, introduction of the NDIS was supported by an existing, wide reaching market.

In a recent survey of 464 disability service providers, 58 per cent of NDIS service providers reported clients choosing to receive services from a different provider (NDS State of the Sector Report 2016). It is expected that participants will take greater opportunities to exercise their powers of choice and control as they grow in confidence and the disability services market continues to develop. As the NDIS roll-out began on 1 July 2016 it is too early to evaluate if greater choice has improved user outcomes.

Disability Employment Services (DES) offers users choice of service provider. Typically, Centrelink refers participants to the service provider of their choice. The number of participants who can be referred is limited by the provider's contracted business share. This means that in some circumstances, participants won't be referred to a specific service provider because they have already received more than 130% of their contracted market share. However, providers can bypass this system through direct registration of eligible participants through direct marketing. DES highlights the importance of flexibility to ensure the right to choose ultimately lies with the participant.

In contrast, **Forced Adoption Support Services** (FASS) provide assistance to a small market of people across Australia and there is only one FASS service provider in each state and territory jurisdiction. Clients accessing FASS services are highly vulnerable and service providers need expertise on dealing with trauma and the ability to develop trusting, supportive relationships. It has taken time for current services to develop these skills, especially with client groups who generally mistrust government services and authorities. In this case, clients are better served by one specialist service provider than a choice of multiple, unskilled providers.

Supporting informed user choice

The Department recognises that information on available services, and in some cases support, is required to maximise the benefits of user choice and to assist people to make the best choice for their circumstances. This is especially important in the Department's context, where services cater to a range of people with varying complexity of need and decision making capacity.

The provision of supports and information also balances the risks that arise from devolving control over funding decisions down to the individual. While user choice can facilitate a person's agency over their decisions and stimulate the market to respond directly to the user, it also attracts risk. People will not always act in the way policy makers assume they will. As discussed in previous submissions, the potential gap between policy makers' behavioural assumptions and actual behaviour should be tested and learnings incorporated into support mechanisms and information services. Particular consideration should be given to vulnerable clients.

The NDIS offers a good example of the multiple levels of support that are required in a broad market of users and some of the challenges faced when providing information in an emerging market. Complementary family and community services support the implementation of the NDIS and build people's capacity to deal with complex choices. While it is too early to determine whether support services have improved user choice and user outcomes under the NDIS, early evaluations of complementary support services indicate some success.

Case Study: Policies and programs that support user choice in the NDIS

Information

- The National Disability Insurance Agency (NDIA) MyPortal system facilitates searches for providers by service type and location;
- Externally operated websites facilitate the search, filter, hire or review support workers, such as Better Caring and Clickability; and
- The NDIA is in the process of developing an information sharing platform to assist participants to locate providers of particular services operating in their area.

Challenge: The rapid increase in service providers makes it difficult to inform NDIS participants of new or alternate services and how to access these services. This is exacerbated by limitations to the current NDIS provider registration process. Local Area Coordinators (LACs) address some of the information asymmetry by linking NDIS participants to potential providers and other available community supports. The Department also liaises with the NDIA to improve the information available to participants about provider options in their area.

Supported decision making

The NDIA employs a range of supports to help people with disability who request assistance when making decisions. This includes:

- acknowledging and facilitating the role of the person's existing support network to reinforce the person's capacity to determine their best interests and make decisions for themselves;

- acknowledging and respecting the role of advocacy in representing the interests of people with disability;

- maintaining a person-centred approach. Supported decision making is decision making *by* or *with* the person with disability, not *for* or *on behalf of* the person. The NDIA will encourage participants to source their own information around a matter for decision that affects them;

- providing information, such as explaining to a participant the context or consequences of a decision under the NDIS; and

- helping a person to develop the capacity to make independent decisions.

LACs also assist NDIS participants in developing their plan.

Nominees

NDIS participants not in a position to make decisions for themselves are represented by a 'nominee', who has strict obligations they must abide by. This includes supporting the participant to make their own decisions where possible. Nominees are held accountable under the National Disability Insurance Scheme (Nominees) Rules 2013.

Capacity Building

Information, Linkages and Capacity Building (ILC) supports will be funded when the NDIS is at full scheme in 2018-19. The ILC aims to support people with disability, their families and carers to build independence, and capacity to engage with the community. Funded services may aim to provide information about disability; increase connections to existing community; and link participants to support groups. ILC will also help the community and other service systems, such as health and education, to be more accessible and inclusive for people with disability. ILC will be provided through block-funding organisations, as opposed to individual participant plans.

The Department also funds two early intervention programs; **Helping Children with Autism** (HCWA) and **Better Start for Children with Disability** (Better Start). These are intended to support the growth and diversity of the early intervention sector for children with disability and in so doing, provide greater choice for families. Programs include education and support elements for parents and carers including a Registration and Information Service, Autism Advisors, Indigenous Liaison Officers, Raising Children Network website, Early Days workshops and Playconnect playgroups. Funding for these programs will transition to the NDIS in 2019.

A 2015 La Trobe University evaluation found that 85.7 per cent of parents who attended PlayConnect Playgroups were satisfied that the program enabled access to resources, to networks and connections to other parents facing similar challenges, and helped them engage with their local community.

Evaluations of HCWA and Better Start programs found that participation in the programs:

- Improved the knowledge and capacity of parents and carers;

- Improved the choice of, and access to, appropriate early intervention services and resources: and

- Improved outcomes for children.

Remote Indigenous service delivery

The Department recognises that remote Indigenous services face a series of unique challenges that require tailored service solutions. In the Department's context, these challenges include, but are not limited to: complex funding environments; limited market of locally based service providers; and 'one size fits all' programs delivered across a range of communities.

There are also a range of unique financial costs incurred when providing services in remote Indigenous communities, including: increased leave requirements; higher costs of vehicles and accommodation; lack of infrastructure; cultural competence of services and staff; and additional allowances to support staff. These costs are compounded for non-local organisations that are required to service remote locations.

Strategies to address challenges

Indigenous communities and organisations are diverse in terms of their skills, capability, challenges and opportunities. Responses to strengthen the service capability within remote Indigenous communities and address challenges associated with distance need to reflect and respond to this diversity.

Funding larger, skilled organisations to offer brokerage and subcontracting to Indigenous communities outside the services footprint is an option for enabling appropriate capacity building. Examples of where this has been successful include:

- Communities for Children Facilitating Partners (CFCFP): Under the CFCPP model the Department funds a Facilitating Partner to work with each community to identify local needs and tailor service responses delivered by community partners. CFCFPs are established in 52 sites including Katherine, Palmerston, East Arnhem and Alice Springs.

- Home Interaction Program for Parents and Youngsters (HIPPY): The Brotherhood of St Laurence (BSL) is funded to implement HIPPY, which is delivered to 50 Indigenous-focused sites nationally. BSL sub-contracts suitable local NFP

organisations to deliver culturally appropriate HIPPY services. BSL also provides capacity building support to these organisations.

- Cashless Debit Card (CDC): Indue, commissioned to deliver financial services for the CDC trial, does not have an existing presence on the ground in trial locations. As a result, 'Local Partners' were established in trial locations on a funding pass-through basis, meaning they are employed by Indue but all costs are passed through to the Department. Local Partners made use of existing organisations in remote locations with knowledge of local conditions and issues and a primary focus on equitable access. Using existing organisations also meant that there were lower set-up costs for the provision of these services, and ensured better service integration.

While brokerage and subcontracting has been successful in some locations, other models are also likely to improve outcomes. These include:

- Providing intensive coordinated support to Indigenous organisations so that they are best placed to deliver services;
- Investing in local employment along with appropriate training and development of staff to address staff turnover rates and strengthen a provider's ability to offer culturally appropriate and accessible services that meets local needs;
- Co-joined funding across programs and agencies allowing for the organisation to build an economy of scale across funding programs;
- Co-locating with other providers to share available infrastructure;
- Working to ensure greater coordination of services or funded activities across a range of providers; and
- Exploring options for shared administrative functions across organisations, allowing local Indigenous community controlled organisations to focus on the front line service delivery.

These approaches must be applied within an overarching strategy, which supports the continuous improvement, professionalism, and sustainability of local community controlled organisations. It is also important to always work closely with and fund Indigenous controlled service providers to ensure choice is offered for Indigenous people and the most appropriate cultural solutions and approaches are found.

Case study: addressing challenges of service delivery in remote Indigenous communities

The Department funds Centacare to provide children and parenting support services in a range of locations. Centacare has located staff in each of its funded locations, often co-locating with other providers if they do not have an office in the community. A focus has been to recruit staff from local communities, which has supported greater relationships and accessibility with the communities in which they service. Feedback from the Indigenous community and client groups indicates a higher level of engagement, increased accessibility and cultural competence of services, and improved service footprint.

Service delivery models

There is significant diversity in the effectiveness of services provided to remote communities. This is largely dependent on the issues identified above and can remain fluid based on the

staffing and capability of the provider, and needs and challenges within each individual community.

A common determinant of strong service delivery in remote Indigenous communities is the design of programs and services in partnership with the local community, allowing the development of approaches that meet their individual and cultural needs.

Examples of where this has worked effectively include:

- Justice Reinvestment in Bourke has a focus on community capacity building and implementing partnerships with local providers. The project increases community engagement and action, with services responding to youth issues raised by the community.

- The Dhulung Yarra Service run by Relationships Australia provides therapeutic services to Indigenous Australians and is primarily administered by Indigenous staff. While not operating in remote locations, it demonstrates the impact of Indigenous co-design and administration of services.

- Intensive Family Support Services (IFSS) is an innovative intensive home and community based family support service offered to vulnerable families living in selected communities in the Northern Territory (NT) and the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands in South Australia. IFSS provides practical parenting education and support to parents and caregivers in their communities and homes, to help them improve the health, safety and wellbeing of their children. Services are delivered via outreach to communities and outstations in areas where permanent primary services are not accessible. Outreach services may be delivered to a client or group away from the usual premises, for example in the client's workplace, home or a place of the client's choice where they feel safe. For the 2015-16 financial year, IFSS provided services to a total of 640 clients of which 548 (86 per cent) identifies as Indigenous. IFSS has had a strong focus on local employment and utilisation of Indigenous organisations to deliver services, including the provision of implementation supports.

Competition and contestability

The challenge for the Department and other agencies is the lack of an economy of scale that allows the engagement of multiple providers in remote Indigenous communities. Furthermore, there is only a limited market of providers with the capacity to deliver the Department's services in remote communities. This makes the utilisation of both competition and contestability difficult.

Competitive tender processes have decreased levels of trust, cooperation and referral amongst service providers, and outcomes for clients have suffered as a result. As discussed above, the Forrest Review called for the consolidation of service delivery in remote Indigenous communities and states that competitive tendering processes are likely to continue to deliver lowest common denominator outcomes for remote communities.

Competitive tender processes also tend to favour large-scale NGOs which have the skills and capabilities to develop effective grant applications. Though some larger organisations offer brokerage or subcontracting to local communities, as discussed above, others implement a 'one size fits all' approach that doesn't reflect the diversity and complexity of local communities. The Department tries to counter this when assessing funding applications and requires applicants to demonstrate how they will service the local community.

In this context, the Department's efforts to improve service offerings in remote Indigenous communities are focused on working collaboratively across government and service agencies to strengthen the cohesion of funded services, reduce service gaps and duplication, and improve outcomes for the community. Strategies include enshrining a requirement to collaborate with other service providers within the Families and Children

guidelines, and funding annual conferences and events to support the exchange of information and facilitate partnerships between providers and increase sector capacity.

<u>User choice and community engagement</u>

Without a market for multiple service providers, individual choice is often unavailable in remote Indigenous communities. However, a core element of improving the Department's services to all Indigenous communities is stronger community engagement. Greater engagement, along with improved data and analytics, is intended to better inform the development programs and services that strengthen the provision of services and achievement of outcomes for Indigenous Australians. By working with Indigenous communities to identify local circumstances and providers that meet local needs and government priorities, government agencies are in a stronger position to consider and support user choice as part of design and planning of funding programs. Ultimately this helps to achieve value with relevant money by delivering services that meets the cultural and accessibility needs of Indigenous clients.

<u>Improving the effectiveness of services</u>

The Department is working with other agencies such as the Department of the Prime Minister and Cabinet who have policy lead on remote Indigenous servicing to develop approaches and responses that improve the provision of human services in remote Indigenous communities.

This includes the development of initiatives which aim to significantly improve the effectiveness and efficiency of services provided to Indigenous Australians, with specific focus on improving outcomes for remote Indigenous communities. Key elements include:

- Implementing place-based approaches that respond to local circumstances, culture and need;

- Strengthening engagement with Indigenous communities so that the Department is better placed to work with Indigenous Australians to better understand their needs, recognising that there is greater scope for community level and timely involvement in service planning and monitoring or adapting services;

- Strengthening market approaches recognising that often local Indigenous providers are better placed to understand the needs of the local Indigenous community, and have a trusting relationship that allows them to deliver culturally appropriate and accessible services;

- Exploring flexibility within programs so that they can be adapted to meet the needs of the local community;

- Applying systematic approaches that ensure a strategic focus on outcomes, and the best value in achieving those outcomes; and

- Working collaboratively with other funding and service agencies to strengthen the cohesion of funded services, reduce service gaps and duplication, and improve outcomes for the community.

The Department also recognises that often the successful implementation of these approaches is largely determinant on stakeholder relationships, the capability of the community to engage through strong culturally appropriate governance processes, and the ability of Government to leverage its resources and investment to strengthen the capability of local Indigenous service providers who may be able to deliver culturally appropriate and accessible services.

The Department is developing a program logic as part of its targeted approach to improving the effectiveness and efficiency of services to Indigenous communities, which will enable

effective reporting and analysis of outcomes and service improvements achieved through reforms.

The development of an outcomes-based commissioning approach within the Department will also improve the effectiveness and efficiency of services to Indigenous Australians. This will provide a platform for reporting and monitoring of short, medium and long term outcomes, aligned to the needs of specific communities. Fundamental elements of this are strengthening engagement with Indigenous communities to inform and develop programs and services, and tailoring commissioning arrangements so they suit local circumstances and meet local needs. This recognises that adjustments must be made to current commissioning approaches, both in the identification of outcomes to be achieved and organisations that are more appropriate to servicing the local community.

Case Study: Design of the Cashless Debit Card (CDC) trial

Competition and user choice

CDC provides insight into the circumstances where the introduction of competition and user choice is not feasible. While discussions were held between the Department and large financial services providers, there was little appetite to service a small scale trial. As a result, Indue Ltd was commissioned to provide the financial product and services through a limited tender. The lack of a competitive market means trial participants do not have a choice of card provider.

This is also a circumstance in which choice is subservient to a program's wider aims. While increased competitiveness of tender applications and a reduced risk of enforcing limited user choice on welfare recipients may add value to the trial, the priority of the CDC is to ensure appropriate service delivery through a high quality provider. Improving the safety and wellbeing of children, families and communities is a more significant consideration.

Collaboration

A core element of the development and implementation of the CDC trial was extensive collaboration with the local community to develop detailed policy on how the trial would be implemented.

For example, transfer limits – the amount of money a participant has available to transfer from their restricted Indue account to an unrestricted account – were determined jointly with community leaders. Similarly, independent community panels, made up of community leaders, can alter the level of welfare quarantining applicable to individual participants to a minimum of 50 per cent. Community leaders set the eligibility criteria for these reductions.

The use of Local Partners in the trial is also a result of collaboration with the community. Initially, the CDC was intended to be a self-service product. However, following community feedback, it was clear that for the trial to be effective, on the ground, community-led support would be required for some participants. 'Local Partners' were established in trial locations to assist trial participants to navigate the banking system and effectively use their card.

In Ceduna, collaboration was facilitated by Ceduna community leaders, who actively called for the trial and signed a Memorandum of Understanding with the Government in relation to broad policy parameters. These parameters included the boundaries of the Ceduna trial region and a definition of those who would become trial participants.

This ownership of the trial led to closer engagement from community leaders, who meet regularly to discuss the trial and provide feedback to the Department, helping resolve issues effectively and quickly, which enabled the trial to adapt to changing circumstances.

Collaboration has benefited the development and implementation of the trial in many ways, such as:

- Adjustment of policy parameters to local conditions and the development of tailored approaches to implementation, noting this requires flexibility on behalf of government and service providers;

- Heightened understanding of the challenges facing the local community; and

- Anecdotally there is a shared sentiment amongst the community leaders that this extensive consultation process has improved the effectiveness of human services provision, improved outcomes for participants, and maximised local support for the CDC trial.

The Department has also worked closely with the PM&C Regional Network, and relied heavily on their local connections and intelligence.

Social housing

State and territory governments play a central role in the allocation and regulation of social housing. While the Department has a role in funding and supporting the development of social housing with an interest in its outcomes, the Australian Government does not take the lead in this area, as it does in other priority policy areas.

The Department works with states and territories on a range of housing initiatives, including the Affordable Housing Working Group, City Deals and under the National Affordable Housing Agreement (NAHA). The NAHA is a Council of Australian Governments agreement that provides a whole-of-government approach to tackling the problem of housing affordability. There is scope to improve the transparency and accountability for funding provided by the NAHA.

A further area that could be examined within social housing is the collection of better performance data. Currently, there is limited performance data available to assess and benchmark social housing service providers. This also prohibits comparisons of the performance of public housing and community housing. The Department supports the development of data that enables the social and financial performance of housing providers to be accurately compared.

There are also knowledge gaps in the provision of social housing that could be filled through research. For example, there is value in building an evidence base on different rent models and how they are applicable and implementable in Australia.

The Department refers the Commission to the Affordable Housing Working Group's Report to Heads of Treasuries, 'Innovative Financing Models to Improve the Supply of Affordable Housing' released in October 2016. The report considers many of the issues raised by the Commission, particularly viable funding models for social housing.

Commissioning and stewardship

The Department welcomes the Commission's inquiries into current government commissioning processes across the identified human services areas and notes the commissioning cycle in Figure 2. While the Department does not yet have a systematic approach to commissioning, like that outlined in Figure 2, it currently incorporates various elements of commissioning in its policy design and procurement processes.

For example, reform of the Humanitarian Settlement Program (HSP) will apply various elements of an outcomes-based commissioning approach, with specific focus on:

- Implementing key findings from an independent evaluation of the HSS and CCS programs;

- Clearly defining the needs of the client group (humanitarian entrants);

- Co-designing with potential service providers to test policy objectives, outcomes and contractual arrangements;

- Developing clear and measurable outcomes that appropriately reflect the needs of the client group and priorities of Government;

- Developing a system to support improved data intelligence to report against the outcomes; and

- Leveraging off the full range of policy and program instruments owned by agencies who share an interest in these outcomes, for example Department of Employment and Department of Education and Training.

The Department is in the initial stages of developing an outcomes-based commissioning approach, the principles of which are outlined in previous submissions. Five key areas of the Department's focus are most relevant to the Commission's inquiries and will be discussed in further detail. These include: clarity of outcomes; funding models; monitoring and evaluations; market development; and collaboration.

The Department believes a commissioning approach is complementary to greater consideration of competition, contestability and choice in achieving better outcomes. This ensures that application of the principles are considered in the context within which they are being applied, and the costs and benefits are balanced against other available mechanisms to determine which approach will produce the best outcomes.

A strong government stewardship role underpins the success of an outcomes-based commissioning approach. The Department endorses the principles outlined under government stewardship in Figure 1 due to their close mirroring of the elements of commissioning.

Outcomes

The Department advocates a focus on outcomes to provide a more holistic understanding of program performance and the impact specific interventions have on people's wellbeing. For example, measuring how many people complete a course on decision making (output) does not give an indication of whether people felt more in control, made better decisions, and had an improved sense of wellbeing as a result (outcome).

Currently, attempts are made to measure service provider performance based on outcomes with varying degrees of success. This is conceptually more difficult than measuring inputs and outputs and poses a question of when is the appropriate time to evaluate a program. A more mature understanding of how to define and measure outcomes is required across the Department, other government stakeholders, and service providers to ensure future program evaluations are robust and accurate.

Delivery and funding models

The Department recognises the benefits of longer lead times and longer contract terms in government funded grant agreements. Where possible, these should be utilised to provide service providers with greater stability.

While discussion of payments for outcomes is increasingly popular, evidence suggests it is difficult to do successfully and adopting this funding model can be counterproductive. For example, Troubled Families in the United Kingdom provided outcome payments where a

program was shown to "turn around the lives" of qualifying families. However, the program failed to adequately define 'turned around'. As a result, only 10 per cent of the supposed 99 per cent of families 'turned around' gained work, and individuals could still commit a crime and fit within the definition.[1]

Attribution of outcomes to a specific program is also difficult in family and community services, as most users will interact with more than one service at a time. This is exacerbated by the inconsistency between contract terms and measuring long term outcomes.

A more sophisticated understanding of outcomes and payments by outcomes is required before the model is adopted across human services.

Monitoring and evaluations

The Department recognises that social policy outcomes can take time to deliver and can be difficult to measure. Consequently, the Department proposes well-considered strategies for evaluation, including interim and proxy measures of progress, that take into account the nature of what is being evaluated and the intended purpose and use of the evaluation.

Best practice evaluation approaches require the development of comprehensive performance measurement, reporting, review and evaluation frameworks at the design stage of the new policy proposal or program. Strategic thinking about these factors early is necessary to ensure they can be effectively monitored and evaluated once the program is implemented.

Key gaps in evidence remain a problem, particularly for larger areas of Commonwealth expenditure such as the social security system. Serious consideration should be given to reviewing the way evaluations are funded, and ensuring sufficient investment is made for data collection and sharing. This is further discussed in Appendix B.

Development of, and access to, robust data sets puts the Department in a strong position to measure and evaluate service provider performance based on outcomes.

Stewarding market development

The commissioning approach recognises the Department's role and responsibility to steward new and existing service markets. Effective monitoring and evaluation systems will facilitate the Department's role, providing insight into where interventions are working well or failing. This allows the Department to intervene to improve system functioning through foreshadowing change and building market capacity to deal with challenges before they arise. Market stewardship also creates a responsibility to manage failing service providers and manage their exit from the market.

The NDIS is a unique example of the Department's involvement in developing a services market. The Department has worked closely with the NDIA to support their role as market steward.

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[1] For more information see E Harwich, A Hitchcock, and E Fischer, 'Faulty by design. The state of public-service commissioning.', Reform (January 2017).

Case Study: Stewardship of the NDIS

Workforce shortages are anticipated during the national roll-out of the NDIS as a mature market of disability service providers is not yet in place. While attracting and retaining workers to the disability services sector is primarily an employer responsibility, the Australian Government is supporting a number of initiatives to assist employers to build and adapt their workforces. For example:

- The NDS is funded to implement CareCareers and ProjectABLE, which are designed to raise awareness of career opportunities in the disability sector;
- The Innovative Workforce Fund will support projects that promote innovation in the disability sector workforce;
- Jurisdiction-specific projects are funded to build workforce capacity; and
- The Department works with the Departments of Health, Employment and Prime Minister and Cabinet to utilise existing employment services and programs to assist in building the disability sector workforce.

The NDIS Market Approach (Statement of Intent) seeks to enable and support growth in demand by outlining how the NDIA will work with industry and the wider community as NDIS stakeholders to facilitate major growth in the size, number and range of disability support providers and the services they offer. Additionally, the Market Approach aims to reduce market risk, increase confidence, and encourage providers to invest in delivering those services. There is a recognition that in order for businesses of all sizes and types to confidently and sustainably grow and innovate under the NDIS there needs to be as much clarity about the market development as possible, including what they can expect from the NDIA in this regard.

The 'learn and build' approach has been a key pillar of the NDIS' development. While governing bodies have made efforts to be aware of cautionary experiences emerging from other market transitions, the NDIS is a ground-breaking reform to offer life-long, multi-service support to people with disability. This does not lend itself to robust comparisons with other reforms. As the NDIS rolls out to the wider market, the Department will continuously review its approaches and learn from these processes.

As the NDIS is in the early stages of transition, it is critical that the Department, the NDIA and the states and territories maintain close monitoring of local and systemic issues in the nascent market to ensure a comprehensive and timely response.

Collaboration

The key outcome of the Department's proposed commissioning approach is to make the Department's programs and services more efficient and effective. Better collaboration with stakeholders will often be a major contributor to this process to minimise service overlap and maximise the impact of available resources, such as staff and infrastructure. Additional benefits of greater collaboration include a better understanding of needs and resources; clarity on program scope and outcomes; and clarity of service roles.

Collaboration includes working with all levels of stakeholders, including state and territory governments, Commonwealth agencies, service providers, communities and individual users. The development of the commissioning approach itself has benefited from extensive collaboration with government partners, including other Commonwealth government agencies and New South Wales Department of Family and Community Services.

Appendix A: Place-Based initiatives

Place Based Initiatives

The Department continues to monitor international and Australian evidence on collaborative engagement to achieve outcomes, including place-based and collective impact approaches. For example, the Logan Together Roadmap was co-designed by the Commonwealth, state and local governments, the community, business, academics and non-government organisations to focus collective effort on closing the gap in rates of healthy development for Logan children at age eight.

The Roadmap seeks to improve outcomes through targeted prevention and early intervention strategies delivered by community partners working in concert using mutually reinforcing activities. Community engagement and data collected against agreed indicators at each stage in a child's life, from pre-conception to age eight, provide ongoing feedback on the effectiveness of collective efforts with re-alignment of effort and resources towards critical functions.

Early data from Logan Together indicates some positive impacts on Indigenous child readiness for school and increased engagement by disadvantaged families. The Department will continue to monitor the outcomes of Logan Together to understand how collective impact approaches can potentially enhance policy outcomes in disadvantaged regions.

Evaluation of Place-Based Initiatives

Recent Department analysis of place-based initiatives found that traditional approaches to the evaluation of place-based initiatives have limitations in the context of the dynamic nature and inherent complexity associated with such initiatives. These limitations have been compounded by a lack of rigour in applying traditional approaches to place-based evaluations.

To build an evidence base around what works, standards of evidence, such as Randomised Control Trials, need to be complemented by other approaches such as developmental evaluation. There is a need to better understand how to effectively select and combine various methods to ensure rigorous, flexible and fit-for-purpose evaluation and methodological designs.

Analysis also highlighted that there is often tension between community and government as to the purpose of the evaluation and consequently, the knowledge it produces. While the concept of evaluating the effectiveness of place based initiatives, or collective impact, is important for all parties concerned, stakeholders can and will have different and competing needs as to what they require. Local service providers and stakeholders seek timely, high quality data that enables reflection and informs strategic and tactical decision making, while funders and other supporters may require performance measurement and evaluation that offers evidence of progress towards the initiative's goals.[2]

The Australian Institute of Family Studies propose the following common elements for place based evaluation:

- Causality – establishing that the placed based initiative is working by considering options such as matched comparison areas, using longitudinal data (survey or administrative) and sophisticated statistical analysis.

- Attribution – considering the presence of other initiatives when trying to establish if a particular initiative 'works' as there could be several initiatives in the one area.

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[2] See for example: Burstein & Tolley (2011) *Exploring the effectiveness of place-based program evaluations.* Policy Horizons, Canada, Williams & Van't Hof (2014) *Wicked Solutions – a systems approach to complex problems.*

- A theory of change – having a well-articulated program logic or mechanism by which the key outcomes of interest can be measured, especially in the short term so that policies can be refined, applied to other contexts, 'scaled up' or adjusted to address elements of the initiative that are not working.

- Residential mobility – accounting for population flows into and out of the area.

- Cost-effectiveness – routinely analysing the costs associated with the delivery of a program and being clear about the long-term benefits.

Appendix B: Additional information on monitoring and evaluation frameworks

The Department supports the Commission's inquiries into monitoring, evaluation and feedback functions and the data required to support these functions. A core requirement of a commissioning approach is a well-established understanding of how to define and measure outcomes, and the collection and use of effective data and evaluation mechanisms to determine where outcomes have been met. More effective monitoring, evaluation and feedback functions, and use of data, will facilitate the development of more effective programs and services to benefit Australians and their families, and service providers.

For example, the Data Exchange facilitates sharing of information of outcomes people are achieving through government funded programmes. When utilised by a wide range of service providers, this has the capacity to help government better understand how services are performing, and gives an indication of what interventions are effective for specific cohorts. Similarly, the Australian Priority Investment Approach to Welfare can use actuarial data to analyse the outcomes of policy interventions on specific cohorts to inform future policy and program development.

A   Evaluations

The design of programs or interventions should include:

- o a program logic, a theory behind the program and a well-articulated theory of change,
- o objectives that are specific, measurable, achievable, realistic and time-based (SMART), and
- o objectives that are commonly understood and supported by all stakeholders.

- Program or service outcomes should be based on planned or available data collection systems and include:

- o baseline data if needed (and if so, available) to track change,
- o when the monitoring data is planned to be collected against program or service objectives, and
- o a shared measurement approach, if applicable (for example, between levels of government or different departments and agencies).

- An overarching review and evaluation framework should include:

- o When review and evaluation activities are conducted over the life of the program or service,
- o What is needed to be known at each evaluation point,
- o The types of methodologies and data collection tools that are most appropriate for the questions to be asked under each evaluation activity, and
- o The mechanisms for sharing relevant administrative data and evaluation findings across services and levels of government.

Serious consideration should be given to reviewing the way evaluations are funded and that alternative ways of funding methods be considered; for example, evaluation funding being a percentage of departmental expenditure; ways to facilitate departments having access to adequate and stable funding that supports evaluation and data analysis at the outcome and cross-outcome level. This approach would assist in identifying the relative contribution of activities with the same outcomes and their cost-effectiveness.

More contemporary methods for evaluation could be explored using current Commonwealth data resources, with a view to undertaking more desktop evaluations as a cost-effective option.

B   Data

The Department broadly endorses the recommendations of the Productivity Commission's Draft Report on *Data Availability and Use* (October 2016), and strongly supports a number of key recommendations that should improve mechanisms for sharing data, including:

- introducing new legislation (Data Sharing and Release Act),
- creating a new central National Data Custodian with support from jurisdictional Accredited Release Authorities, and
- providing broad access to National Interest Datasets.

The Department recognises that the data system model presented as part of the Commission's draft recommendations will make effective use of existing investments in data asset infrastructure, and support the Government in its commitment to optimising the use and re-use of public sector data as outlined in the Australian Government's Public Data Policy Statement.

The Department is also committed to protecting privacy through the provision of aggregate level data, and the development of a synthetic dataset. Individual records are not released to the public.

Australian Priority Investment Approach to Welfare

The Australian Priority Investment Approach to Welfare applies actuarial analysis to social security and other data to help identify groups at risk of long-term welfare dependency who would benefit from additional assistance. Sharing of this data will support the design of innovative policies and programs to address barriers to work and other hurdles faced by vulnerable groups of people.

The Priority Investment Approach is supported by a collection of longitudinal social security and other datasets which provide information required for the actuarial analysis. This data has the potential to provide valuable information for all levels of government and for researchers for statistical analysis and research. As this data tracks information over a period of time, it provides deep insights into lifetime wellbeing issues, and allows for the analysis of influencing factors on welfare dependency and the effectiveness of policy interventions.

The Department is implementing three data access projects to better share data across government and the community through the Priority Investment Approach. These projects will accommodate the varying needs and expertise of a wide range of users, and encourage further analysis and co-creation of innovative solutions to reduce long-term welfare dependency. These initiatives support the Government's commitment to optimising the use and re-use of public data under the Australian Government Public Data Policy Statement. The data-sharing initiatives include:

- a publicly available TableBuilder product hosted by the Australian Bureau of Statistics;
- a secure online remote-access research gateway for researchers; and
- a publicly available synthetic dataset that does not contain actual data from the social security dataset but reflects the overall nature of the dataset in a manner that will be useful to researchers.

From early 2017, the remote-access research gateway will enable researchers to analyse de-identified data using sophisticated statistical packages in a Secure Unified Research Environment supported by the Australian Institute of Health and Welfare and the SAX Institute. To protect privacy, oversight processes will ensure data is used appropriately and only summary aggregated data will be extracted for research use.

This resource is designed for researchers with specialised skills in data analysis. Researchers without advanced data handling skills or the required institutional sponsorship will still be able to access related de-identified data through the two other data access projects discussed above.

Commonwealth agencies will also be able to conduct their own analysis of Priority Investment Approach data via the remote-access research gateway.

Data Exchange

The Department began development of the Data Exchange (DEX) in 2014 to create a standardised data collection framework for the capture of de-identified client level data that is standardised across the range of social policy programs it administers. This allows analysis of the types of outcomes clients are achieving through government investment in social policy programs across 19 outcome areas, and the demographic profile of program participants.

DEX has since been adopted by approximately 60 program areas across the Department Families, Communities, Disability and Carers, and Settlement space. It is also being utilised by the Department of Health in their Commonwealth Home Support program, and the Attorney-General's Family Law programs. Pilots utilising DEx with several State and Territory government programs have also commenced.

DEX is offered as a service offer under the Community Grants Hub and is available to all client agencies as a purchasable service.

C   Trials

The Department's Try Test and Learn Fund (the Fund) is the Government's first response to the Priority Investment Approach. The Fund will support trials of new or innovative policy responses to help people live independently of welfare. The Fund will seek to support groups who have the capacity to work and are at risk of long-term welfare dependence. It will also help to ensure that Australia's safety net remains sustainable for future generations. Priority groups for the first cycle are young carers, young parents and young students at risk of long-term unemployment.

The Fund is not a standard Government funding round and is driven by an outcomes-focused commissioning approach to policy development. Ideas will be welcomed from the community sector, government, academics, business, individuals and other groups, including partnerships between these stakeholders.

The Fund's submission process has been designed to be accessible, transparent, collaborative, and supportive of new and innovative approaches. The most suitable ideas will progress to a process of co-design, the selection of a delivery partner, and then delivery and evaluation. Users and communities will be central to the design and delivery of Fund policies.

Another central focus of the Fund is the generation of new insights and empirical evidence into 'what works' to reduce long term welfare dependence. The delivery of each policy will test an hypothesis about how we can change behaviours, pathways or systems to improve workforce participation. The impact of policy responses will be monitored using a range of evaluation methods to garner these insights. The lessons learned will be used to inform and improve Government policy.

The first cycle of the Fund is open from 9 December 2016 to 24 February 2017. The Fund is expected to open for ideas several times over multiple years, allowing organisations and individuals additional opportunities to submit proposals. This flexible and iterative policy design process aligns with the Government's innovation agenda.

As the Fund is in its first round of sourcing ideas, the Department is not yet in a position to discuss evaluation of ideas or success of trial programs.