

Submission to Productivity Commission

**Human Services:
Identifying sectors for
reform**



**MISSION
AUSTRALIA**

Response to the Productivity Commission issues paper

Human Services: Identifying sectors for reform

From Mission Australia and Mission Australia Housing

Introduction

Mission Australia (MA) and Mission Australia Housing (MAH) welcome the opportunity to provide comment and input to the Productivity Commission's Issues Paper about identifying sectors for reform as part of its Inquiry into *Introducing Competition and Informed User Choice into Human Services*.

About us

Mission Australia is a national non-denominational Christian organisation, with more than 155 years' experience in standing together with Australians in need on their journey to independence. Our evidence-based, client-centred community services are focused on reducing homelessness and strengthening communities across Australia.

To achieve this goal, we work in partnership with communities, supporters, government, businesses and other organisations. We measure our impact, collecting evidence of what works to inform our service design and delivery, and to advocate for change.

In the 2014-15 financial year, we supported over 307,000 Australians in need.

In 2009, Mission Australia (MA) established Mission Australia Housing (MAH), a Tier 1 Community Housing Provider. MAH currently owns or manages more than 2,000 social and affordable homes, including the \$32 million Common Ground development in Sydney. Together, MA and MAH work to strengthen communities and reduce homelessness.

In 2014-15, approximately 71% of our revenue comes from government human service contracts (41% from Federal Government agencies and 30% from State and Territory Government agencies), 8% of revenue comes from fundraising and corporate partnerships and 22% from fee for service arrangements (such as rent to MAH and fees to our Early Learning Centres).

Executive summary

Mission Australia and Mission Australia Housing welcome the Government's objective of examining systemic reform options to improve human service delivery, including through this Productivity Commission Inquiry. We particularly welcome the Commission's recognition in the issues paper that application of competition and choice reforms in this sector bring challenges different to those experienced in other sectors.

In general, Mission Australia supports the points made in the submissions to the Inquiry from the Community Council for Australia and the Australian Council on Social Services, including the key principles developed by ACOSS to guide reform of the human services.

The Commission's Issues Paper notes that "the objective of this inquiry is to develop policy options to improve service provision, with a particular emphasis on using competition, contestability and user choice" (page 4).

A key contention in this submission is that this objective - improving human service provision - can be best advanced by reforms to streamline current competitive procurement and contracting practices, adopt strategic commissioning approaches and enhance service integration.

This submission argues that the most prospective sector for a competition/contestability/choice reform agenda is social housing, where progress towards a multi-provider sector should be continued and extended, to achieve further user benefits.

We also identify the possibility of applying a competition/contestability/choice reform lens to the problem of deep and persistent disadvantage, through new approaches to the cohort of frequent and multiple service users and to locations of concentrated disadvantage.

Context

Current prevalence of user competition/contestability in human services

Elements of competition/contestability are already present in the procurement and contracting stages of human services provision (whether delivered by government or non-government organisations), in most human service areas across Australia.

Currently, almost all of the 589 programs and services that Mission Australia delivers across Australia are subject to a competitive procurement process, except a small proportion of services which we are directly invited to deliver (for example when an incumbent provider's contract is terminated). All of the 41 different government entities and most of the trusts and foundations from which we receive funding routinely use competitive processes to allocate their funding.

In our experience, this applies to the human service sectors of:

- homelessness prevention and response;
- integrated family support;
- early intervention with at-risk children and families;
- parenting programs;
- mental health support;
- disability support;
- residential drug and alcohol treatment and rehabilitation;
- youth employment;
- aged care;
- recidivism prevention among juveniles and adults; and
- capacity and resilience building in local communities.

The exception to this is social housing which, although arguably best suited to a competitive system, is still delivered overwhelmingly by the regional monopolies of state housing authorities, whose delivery has not been subject to the rigour of a contestable process. This is discussed further below.

Competitive tension at the procurement and contracting stages of human service delivery, when properly managed, can incentivise NGOs to bring a disciplined approach to service design and delivery, and can increase transparency to governments and assurance of value for money.

However, such competitive tension does have disadvantages. The Productivity Commission's Issues Paper articulates many of the potential costs to service users, governments and service providers. However, in addition, a significant cost can occur in the diminution of collaboration within the service system, contributing to fragmentation and thus inefficiencies and poorer user experiences.

It is our strong contention that reform effort should be focused on improving both the stages which precede the procurement stage, and the manner in which competition is implemented in the procurement stage. We discuss these matters further below.

Current prevalence of user choice/agency in human services

Involving users in the services they receive should be seen as a continuum, covering the ways in which users can exercise agency in their relationship with services, encompassing:

- provision of service information to users;
- consultation with users on delivery options and/or broader service goals;
- consumer-informed care;
- consumer-directed care; and
- full user choice and control through direct service procurement by users.

Several human service sectors have implemented, or are in process of implementing, full user choice and control through service procurement, notably aged care, early childhood education and care, vocational education, employment services and disability services. The challenges faced in each of these sectors in their implementation of full user choice, and associated costs and benefits, should be a key source of evidence for the Commission's Inquiry.

Other human services sectors have significant progress to make in enabling users to exercise agency in their relationship with services. Mission Australia believes that services have the greatest impact when the clients or consumers of that service are fully engaged, and their experience and expectations inform the design, delivery and responsiveness of that service. Realisation of this aspiration is hampered by current procurement and contracting practices as discussed below.

Nevertheless, we are on our own journey to enhance service users' capacity to interact meaningfully with our services, including testing best practice approaches to co-design of services with clients, the establishment of Client Advisory Groups and supporting a peer workforce in service delivery.

In some sectors, such enhancement measures could be a step towards an endpoint of full user choice and control, where this is a beneficial aim. However, in many human services sectors, such an endpoint is inappropriate, for the reasons outlined in the Issues Paper, including where client involvement is mandated (such as corrective services and some recidivism prevention services), or where the scarcity of services will not support choice (such as specialised services in rural or remote locations). User choice and agency is also countered in programs where service users are subject to mutual obligation requirements, for example in most employment services. In such cases, the other measures to improve users' agency within their service experience become particularly important.

We believe the Commission could provide meaningful guidance around mechanisms to improve users' agency within their experience of human services for those sectors where full user choice and control is inappropriate.

Best reform areas to improve human service delivery

The Issues Paper notes that "the objective of this inquiry is to develop policy options to improve service provision, with a particular emphasis on using competition, contestability and user choice" (page 4). It is our strong contention that reform effort should be focused on improving both the manner in which competition is implemented in the procurement/contracting stage and the stages which precede the procurement stage.

Improving current competitive processes

Mission Australia and Mission Australia Housing are involved in hundreds of competitive procurement and contracting processes every year, as almost every funding body (government agencies and philanthropic trusts and foundations) has its own unique processes and requirements.

Compounding the multiplicity and inconsistency of procurement and contracting processes is the unnecessary “red tape” inherent in many of them, including overly-frequent reporting, excessive information requirements and unduly legalistic contracts.

This generates high transaction costs for service providers, which need to be absorbed within the business but ultimately passed on in the form of lower outputs and thus reduced value for money for funders. In 2014-15, 91.5% of Mission Australia’s revenue was spent on service delivery; however, we are under continuous pressure from both governments and philanthropic donors to minimise “overheads” including the costs of participation in competitive tender processes and contract negotiation and administration.

The Productivity Commission would be aware of the evidence on the unnecessarily high transaction costs resulting from inconsistent and over-engineered procurement and contracting processes, such as through the 2014 Ernst & Young report commissioned by the Australian Charities and Not-for-profits Commission (ACNC).

There have been some positive initiatives, primarily by the ACNC, but also some state governments (such as cross-agency common contracting). However, Mission Australia encourages the Productivity Commission in its Inquiry to explicitly recognise that improving service provision through competition can be significantly advanced by a concerted effort to rationalise and streamline current procurement and contracting processes.

Adopting strategic commissioning approaches

There are also significant opportunities to enhance human service provision through reform of pre-procurement stages, notably the commissioning stage and enhancing system integration.

Australian governments are slowly exploring new ways to develop relationships with non-government organisations to articulate and achieve human service outcomes and increased individual and community wellbeing. The Commission would be aware of the body of work on strategic commissioning, including international evidence, that offers good prospects for better outcomes through more efficient and productive delivery agreements.

Strategic commissioning approaches can advance service users’ agency in service design and delivery, in particular through co-design and/or co-production to enable user voice to be reflected in need identification, outcome articulation and service design.

Currently, procurement and contracting practices are hampering realisation of our aspirations to better engage users in service design. For example, the short lead times between contract awarding and service start up imposed by government funders prevent user involvement or consultation in the detailed design phase; in comparison, philanthropic funders are often more willing to create time for this, leading to better design and outcomes.

Strategic commissioning approaches can also achieve many characteristics of competition, in particular a strong focus on specification of measurable outcomes, development of performance regimes and measurement and evaluation.

They can also enable greater ability of service providers to tailor service delivery to individual users’ specific circumstances, needs and aspirations. In Mission Australia’s experience, inflexible contracting is often a barrier to effective responses to users, while greater contractual ability to individualise responses produces better outcomes.

We encourage the Productivity Commission’s Inquiry to investigate how strategic commissioning can improve outcomes in human service provision.

Enhancing system and service integration

A salient feature of the human service system is the fact that, for most users, the effectiveness of services in one sector is co-dependent with services in other sectors. So, for example, for a certain individual or family, receiving housing through a housing service may be ineffective if not accompanied by tenancy support through a specialist homelessness services and, say, drug treatment through an AOD service.

There is ample evidence that connected services and integrated arrangements are the most effective in meeting the needs of vulnerable people.

Although service effectiveness is reliant on the cohesion of the human service system, the Australian system is characterised by fragmentation between sectors and between service providers.

Effort has been focused on ways to promote service integration through “...structures and processes that attempt to bring together the participants in human services systems with the aim of achieving goals that cannot be achieved by those participants acting autonomously and separately. These goals include greater coherence and cohesion, efficiency, effectiveness, and consumer accessibility. These structures and processes may occur at the policy or service delivery levels, or both, and can involve several different modes and instruments of integration.”ⁱ

Examples of service integration include collective impact approaches, joined-up initiatives, formal or informal partnerships between providers, place-based projects or programs, local or regional inter-agency committees and local-level case conferencing. The Federally funded programs Communities for Children and Partners in Recovery have adopted some of these elements and are producing good results.

Service integration through such measures can be undermined by poor implementation of competition and/or choice reforms. Research studiesⁱⁱ and MA’s own experience show numerous occasions where competitive procurement processes have diminished high-trust collaboration between providers, some of which have caused schisms with lasting impacts.

We encourage the Commission to consider how funding bodies can achieve the benefits of competition without damaging service integration, including: designing procurement and contracting processes to explicitly recognise this risk; determining procurement cycles with this in mind; incorporating mechanisms to require or preference collaborative approaches; and recognising the additional costs incurred.

Prospective sectors for competition/choice reforms

Least prospective sectors

We are pleased to note the conclusion in the Issues Paper that not all human services are well suited to competition. We agree with the analysis in the Issues Paper (pages 14-16) of the user characteristics, nature of service transactions and supply characteristics that indicate where competition is not likely to work well. We would emphasise that, for the human service sector, the following issues are particularly important:

- Many human service users do not meet the requirements of being informed and empowered, often due to the nature of their circumstances (such as substance abuse) or the immediacy of their presenting need (such as experiencing domestic and family violence); and
- A constrained choice situation – many human service sectors are characterised by high levels of unmet demand. In our organisation’s experience, this is especially the case for: homelessness services; community mental health services; youth-specific drug treatment services; community legal assistance services; juvenile justice diversion and recidivism prevention programs; all services targeted at Aboriginal and Torres Strait Islander people; and all services in rural and remote areas.

Most prospective sectors

Social housing

Social housing, traditionally delivered by regional monopolies of state housing authorities, is ripe for further competition and choice reform due to its nexus with the competitive general housing market.

Mission Australia supports the points made in the submission to the Commission's Inquiry by the NSW Federation of Housing Associations. In particular, we contend that:

- Growing the community housing sector would enhance competition/contestability and user choice. Where a viable community housing sector exists, both internationally and in Australia, there is strong evidence of increased contestability of funding, more housing tenure choice for residents, greater involvement of and partnership with the private sector, increased transparency, better tenant outcomes and satisfaction, and greater efficiency in the use of scarce public funds.
- Greater competition depends on equity between public and community housing agencies in terms of funding, policy and regulation. It requires a national, efficient market in housing finance, affordable housing development and funding streams. Performance benchmarking, adherence to standards and transparency requirements should apply to all providers of social housing. A stable policy framework and carefully-designed regulatory regime should cover all social housing sectors.
- Community housing providers can and do deliver more responsive and customer-focused services than public housing providers. Even when access to housing is severely limited, a customer-driven relationship is embedded in service delivery.

We agree with the Federation that the Commonwealth should take the lead in system reform, and urge the Productivity Commission to examine the social housing sector as the clearest human service area where a competition/contestability/choice agenda could lead to meaningful beneficial results.

Deep and persistent disadvantage - cohort of frequent and multiple service users

As discussed briefly at our meeting with Commissioner King and Assistant Commissioner Heaney, a competition/contestability/choice perspective could inform the development of effective responses to the needs of people experiencing deep and persistent disadvantage.

The Commission's own research references estimates that around 5% of Australians aged 15 plus experienced deep social exclusion (in 2010).

This problem has a cohort and a spatial element. Certain cohorts are over-represented in those experiencing deep disadvantage, notably Aboriginal and Torres Strait Islander people, but also people with: a mental health condition, disability, substance addiction, histories of chronic homelessness and/or experiences of state care.

Mission Australia's services, and those of other large providers, are reporting an increased number of people presenting with multiple needs, co-morbidities and complex problems. These individuals and families require a series of supports from a range of specialist organisations, usually including community mental health, domestic and family violence, alcohol and other drug treatment and rehabilitation, family support and parenting skills, housing, and so on. Navigating the local web of different agencies and services providing such supports is often beyond the capabilities of such individuals and families, who often have poor literacy and live chaotic lives.

An essential role is emerging – that of “navigator” or “coordinator”, someone who can guide a user through the system, link them into the required supports, and advocate to ensure they receive the services they need. This role is usually unfunded by current human service programs.

In some local areas, case coordination conferences have been initiated through informal networks of service providers or, in a few cases, are convened by a government agency; one provider may agree to accept the “navigator” role for an individual or family, based on the fit with the programs they are providing. Such arrangements can be very effective, but are currently mostly ad hoc, often dependent on the personal ethos and energy of one worker and specific to a local area.

The potential exists for a competition/contestability/choice approach to be taken to this problem. Rather than attempting to fit an individual or family with complex needs into the current inflexible specific funded program-based system, a new approach could supply them with an individualised budget, managed by a “navigator” provider who would work with them to purchase services from specialist providers on a fee for service basis, on top of their program funding. Such an approach could also enhance the individual’s or family’s agency, as they would collaborate with the “navigator” to develop meaningful goals and pathways to achieve this.

This approach is akin to some parts of the Local Area Coordination model being rolled out through the NDIS.

The cost to government and society of this cohort of people with complex needs who are (or should be) users of multiple services is extremely high, as is the cost effectiveness of intervening to resolve the presenting issues. For example, a recent longitudinal national study by MacKenzie et alⁱⁱⁱ found that young people aged 15–24 accessing specialist homelessness services generated a total cost to the Australian economy through additional health and justice services alone of about \$747 million annually. Zaretsky and Flateau’s studies^{iv} have showed that not only do homelessness programs improve the housing, health and employment outcomes of clients, but they also yield average cost savings to government of \$3,685 per client per year by reducing the use of non-homelessness services (health, justice and welfare).

Deep and persistent disadvantage – locations of concentrated disadvantage

The issue of deep and persistent disadvantage also has a spatial dimension.

The analysis by Jesuit Social Services and Catholic Social Services Australia in their *Dropping off the Edge 2015* report shows that complex and entrenched disadvantage is experienced by a small number of communities across Australia that have shown few signs of improvement in the past 15 years. It shows that 3% of communities bear the greatest burden of disadvantage within each state and territory.

Individual service responses are not sufficient alone to address the challenges of areas of persistent and concentrated disadvantage. Additional place-based models are required that co-ordinate services and target intergenerational disadvantage through stable housing, education and employment.

In Mission Australia’s experience, place-based models work most effectively when deeply rooted in an essential service.

This could be housing. Frequently, locations of concentrated and entrenched disadvantage are legacy public housing estates with poor housing conditions and, even where not, inadequate or inappropriate housing is usually a feature. Combining safe, stable and secure housing (through tenancy and property management services) with traditional community development plus connections to support services is an effective mechanism to engage deeply with community members. This is demonstrated, for example, in our work to develop the disadvantaged community of Clarendon Vale and Rokeby in Tasmania; Mission Australia Housing has been commissioned to manage 500 homes for Housing Tasmania and has developed a 10 year community development plan, including paths out of intergenerational poverty for young people living in the community and access to education for other residents to improve long-term employment opportunities.

In other effective models, schools provide the point of connection to what is perceived as an essential service, and community development and connections to support services are integrated with a schools-based approach. An example of this is the “coalitions of schools and supports” model, first trialled in The Geelong Project (TGP) supported by the Commonwealth and Victorian Governments and led by Time for Youth in partnership with other service providers and Swinburne University. TGP^v costs its model at \$3,653 per family, with a massive saving to the community when compared to the cost of homelessness and early school leaving.

Such place-based models based on the principles of collective impact have been proven to be successful in addressing concentrations of deep and persistent disadvantage.

A competition/contestability/choice approach could be applied to locations of concentrated and persistent disadvantage, under which specific communities would receive funding, for them to allocate to their agreed priorities through commissioning various service providers. One model could see funding provided for the “backbone” function within a collective impact approach, to coordinate the collaborating organisations, guide the strategy and establish shared measurement practices. Another model could see the pooling of specified state and/or Federal program funds, to be re-allocated to meet the community’s articulated priorities.

Conclusion

Thank you for the opportunity to contribute to the first stage of the Productivity Commission’s inquiry into competition and user choice into human service delivery.

Mission Australia and Mission Australia Housing have a unique perspective on what works in service delivery, program funding and relationships with partners and governments, because we operate in every State and Territory, have over 1,500 partnerships with other organisations, deliver 589 programs and services across Australia and deal with 41 government departments.

We would welcome further opportunities to discuss the issues raised in this submission with you. We also invite Commissioners and/or staff to visit Mission Australia services and hear first-hand from service users and frontline staff about their perspectives on the matters raised in the Issues Paper and this submission.

To arrange that, please feel free to contact Marion Bennett, Head of Policy and Advocacy

Endnotes

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- ^v <http://www.thegeelongproject.com.au/>