Department of Treasury and Finance Submission on the Productivity Commission's Issues Paper "Human Services: Identifying sectors for reform"

Introduction

This submission was prepared by the Department of Treasury and Finance, in consultation with the Departments of: the Chief Minister; Education; Health; Children and Families; Housing; Local Government and Community Services; Correctional Services; and Business.

Scale and population density

With approximately 1 per cent of Australia's population and 17 per cent of its land mass, the Northern Territory presents some unique issues for the delivery of services of any type to all Territory residents. The Territory's population is 244 307, primarily located in the major population centres of the Greater Darwin area (118 989) and Alice Springs (25 432), followed by Katherine (11 147), Tennant Creek (3 636) and Nhulunbuy (2 074)[1]. The remaining 83 029 are spread across a number of small towns and communities.

In some cases, low population in remote areas can lend itself to coordination between service providers. This may be to utilise economies of scope through sharing buildings and other infrastructure. Other service providers may 'bundle' services, for example providing health care as well as aged care together. Overall, these strategies help minimise the higher service delivery costs associated with having limited opportunities to achieve scale economies.

Remoteness

Regional and remote Northern Territory has a vast footprint, which can mean that the cost of traditional and consistent delivery to remote and/or isolated areas is often prohibitive, particularly for time sensitive services or perishable products.

There is vast distance between the Territory and the main eastern and southern capital cities and major centres, with Darwin being between 3000-4000km from Sydney, Melbourne, Brisbane and Adelaide. There is also significant distance between most major Territory towns and Darwin, as well as large distances between each of the major townships. For example, there is 1500km between Darwin and Alice Springs; 300km between Darwin and Katherine; 1000km between Darwin and Tennant Creek; and 1000km between Darwin and Nhulunbuy. Distances between remote

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[1] Table 4.2: Territory Regional Population and Major Townships Estimated Resident Population (ERP), Economy book, Northern Territory 2016-17 Budget

communities and minor townships can be just as extreme, often compounded by poor telecommunications, road and aviation transport links.

These population and distance factors mean that it is more difficult to achieve economies of scale and contestability in delivering services in the Territory. Further, it means that developing, attracting and recruiting skilled labour for many government and industry roles can be difficult, including in the human services industry. A 2016 review of the Northern Territory Skilled Occupation Priority List identifies that the human services sector comprises 29 per cent (68 occupations) of the total 234 occupations being in high demand or considered critical by business and industry in the Territory.

Through necessity, alternative and sustainable delivery models have emerged including well-known examples such as School of the Air and the Royal Flying Doctor Service. More recent innovative responses using communication technologies include remote medical diagnosis and consultation and i-vet services.

Limited infrastructure

The limited populations in regional and remote areas of the Territory and the geographic distances between towns means remote infrastructure spending can often deliver a lower economic dividend than in more heavily populated townships or areas close to existing major transport routes.

While infrastructure is important because it connects people and directly affects how well markets function, governments will need to consider opportunity costs associated with spending on infrastructure for a small population base, when the same amount of money can support a larger population base elsewhere. Much infrastructure in regional and remote areas of the Territory is simply maintained, rather than upgraded as it gets older.

Demographics and culture

The demographic mix of the Northern Territory differs significantly from eastern Australia. In the Territory for example, 30 per cent of the population is Indigenous, and 70 per cent of these residents do not have English as their first language[2] [3]. There are a large number of different Indigenous language groups in the Northern Territory and some English concepts may not translate well into native languages. Given these remoteness and demographic factors, expenditure on human services for Indigenous people can be higher than non-Indigenous people[4]. Indigenous people also tend to use health services differently to non-Indigenous people, generally use more public hospital and community health services than non-Indigenous Australians, but fewer medical, pharmaceutical, dental and other health services[5].

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[2] Australian Bureau of Statistics (2011b). Estimate of Aboriginal and Torres Strait Islander People in Australia. Cat. Number 3238.0.55.001
[3] Australian Bureau of Statistics (2011c). Census of Population and Housing. Data from TableBuilder
[4] https://www.dpmc.gov.au/sites/default/files/publications/indigenous/Health-Performance-Framework-2014/tier-3-health-system-performance/321-expenditure-aboriginal-and-torres-strait-islander-health.html
[5] http://www.aihw.gov.au/media-release-detail/?id=6442464860

In some cultures it is unacceptable to disagree with a person of authority, while others need to build trust and relationships before divulging information or considering a transaction. These characteristics are more evident in particular groups (e.g. indigenous Australians living a more traditional lifestyle), and can mean that consumer decisions are not always based on welfare optimisation.

Economic structure

Often businesses delivering human services in regional and remote areas of the Territory are monopoly providers of that service, and would either be government provided or government funded. This may be necessary for a range of reasons such as a lack of private providers willing to enter the markets, which in turn leads to a number of challenges to government providers, such as a lack of competitive pressures to improve quality and a disinclination to innovate and take risks.

Due to the issues outlined in the sections above, there is limited opportunity for new private sector entry into the market without appropriate government incentives. As such, while there may not be considerable scope for competition between providers within the market, there may be scope for considering market design mechanisms for competition for the market. On this basis, contract design is an important consideration as part of introducing competition and contestability into human services in the Territory in order to maximise outcomes, by being performance based and having clearly defined standards.

For example, developing suitable tendering or contracting mechanisms to provide government funding to the provider who can best meet the relevant tender criteria outcomes (for example cost or quality). This allows businesses to compete for the right to receive the government funding to provide human services in certain locations, as well as allow for greater control over how outcomes to ensure that they are in the best interests of consumers.

While contract design is already complex, a number of challenges associated with contracting out human service delivery in the Territory include lack of interest from suppliers, poor contract design and procurement processes, limited availability of skilled staff and cultural issues. Further, given differences across urban, regional and remote areas, incentives and risks as part of the contract design process would need to be considered on a case by case basis.

In markets that may be able to support multiple providers, but where services cannot be provided on a commercial basis, governments may be able to incentivise providers with a price premium by making a Community Service Obligation payment available. The Community Service Obligation could be clearly defined and costed and made contestable to any provider to access (for example a certain amount of funding per client), which could lead to improved contestability and competition between providers.

Information asymmetries also create a barrier to increased competition in human services in the Territory. A lack of transparency around costs of doing business, as well as clients' willingness to pay

for services, particularly in regional and remote areas, increases the risks to new entrants. A greater understanding of the market and improved availability of information on both the demand and supply sides could help to mitigate these risks.

Current Health Policy Initiatives

The Northern Territory Department of Health is implementing a number of policy initiatives aimed at improving the efficiency and effectiveness of health service provision through competition, contestability and user choice.

As part of the Improving Public Services Review process, the Department of Health has started identifying a number of priority service areas that may be suitable for assessment against a contestability framework. The process of contestability is essentially a structured review and analysis of service efficiency and exploration of opportunities for innovation and service improvement. All innovative options are under consideration rather than a simple assumption that it will result in an outsourced arrangement. The process is not yet mature.

National Disability Insurance Scheme

The Commonwealth Government National Disability Insurance Scheme (NDIS) was introduced in one trial site in the Northern Territory – the Barkly region. The NDIS is a new way of providing individualised support for people with permanent and significant disability. The scheme is underpinned by the principles of choice and control, with a unique focus in the Northern Territory of increasing equity, opportunity and economic participation for Indigenous Territorians in remote communities – whether as clients or service providers. The individualised process allows for user choice in which providers are selected and how supports are delivered.

The reform objective of increasing consumer choice in the area of human services cannot be at the expense of policy objectives such as equity and fairness. In shifting to market based models, care needs to be taken to ensure there are no negative unintended consequences, particularly in remote areas where thin or non-existent markets prevail; so that the reform is tailored and adapted to meet the different needs of these markets in a way that achieves both service and competition reform outcomes. The NDIS model of individually funded client packages represents a significant change to the business model of the current non-government sector in the Northern Territory, which primarily operates using block-funded contracts, with the bulk of revenue coming from government sources.

The trial in the Barkly region has found that to be successful, implementation needs to be tailored to address community challenges, to be culturally appropriate and provide local support groups. The NDIS Barkly Progress Report Year One notes that a "one size fits all" approach does not work in Aboriginal communities. The report also notes that "Additional effort is required to attract and retain providers in remote regions…" and that developing a local workforce is critical to the successful delivery of services.

As part of its Bilateral Agreement to Transition to Full Scheme NDIS (the Bilateral Agreement), the Territory developed a set of remote service delivery principles to guide the reform agenda that could be applicable across a range of human services:

a. Place based, tailored solutions to planning, market development, access to services and risk management;

b. A coordinated, client-centred, and tailored approach to the operating model in remote communities informed by existing effective frameworks, that maximises access, engagement and management of risk for individuals;

c. Culturally competent engagement and professional practices; and

d. Local planning, market development and risk management strategies informed by timely and appropriate data.

In recognition of the risks associated with thin, or non-existent markets, and the associated lack of capacity of the non-government sector in the Territory to scale up to meet the increased demand for supports and services funded by the NDIS, the Territory's Bilateral Agreement includes a Provider of Last Resort Schedule. While supporting the long-term goal of competitive disability markets, the Schedule recognizes and seeks to mitigate the identified risks of service failure in thin or non-existent markets to ensure seamless client access and outcomes.

In 2016, the Territory has worked collaboratively with relevant Commonwealth Government agencies and the National Disability Insurance Agency on a project examining how to maximise Indigenous economic participation in the roll-out of the NDIS in remote communities. Preliminary findings from this work indicate that:

• Governments have a legitimate role as an enabler in human service market reforms, for example through designing a capacity building approach to provider registration, or through ensuring timely and granular information on the supply and demand indicators in the regional market.

• The coordination, relationships and flow-on impacts of reforms in related human service sectors (such as aged care and disability) needs greater attention. Human service reforms should not be undertaken in isolated sectors, particularly given the high proportion of Indigenous people in remote communities with complex, interrelated needs – and the need for a wrap-around approach with the client at the centre. Wraparound approaches are also

more practical in remote settings due to the lack of economies of scale, and the high costs of bringing services into remote communities.

- There is a need to carefully monitor and publish emerging demand and supply indicators as human service reforms are implemented to build effective market signals and information. Where government service delivery has previously been the majority form of services in remote settings, there will be no true price signals and price distortion / cross-subsidisation of related services can be apparent. The NDIS experience in the Territory to date has demonstrated that accurate demand and supply information is extremely difficult to extrapolate in a form that is relevant to the market in the early stages. Information asymmetry will be a key risk for human service reforms as they mature, particularly in thin markets.

- As part of the information gathering for demand indicators, early and culturally appropriate engagement with clients and potential clients of human services is critical in remote Indigenous settings. Engagement needs to be carefully designed to take into account the notion of informed user choice in this context, as previously described.

- A holistic approach to supply is recommended – particularly for workforce training and supply needs for the reform. Governments shared roles in this space need to be coordinated and prioritised towards the joint aims of the reform area.

- Cooperative arrangements such as partnerships, consortia and brokerage models should be encouraged between larger, more experienced / skilled providers and local Indigenous organisations. These relationships should be facilitated by governments where appropriate.

- Practical aspects of doing business in remote communities need to be factored into the reform agenda – for example, infrastructure in remote communities is limited and there is a high demand on its use. Similarly, many remote communities are not accessible by road for many months of the year due to location and weather conditions – meaning that expensive charter planes are required for face to face service delivery for a small number of clients. Innovative service models to deal with these practical challenges should be promoted and facilitated by governments where the market does not naturally self-organise.

- Continual review and sharing of lessons learned from remote competition reforms between stakeholders including governments is critical in developing a shared understanding of what works, innovative remote service delivery models, and adapted approaches.

Pathways to Community Control

The Department of Health recognises that Aboriginal communities have the right to participate in decision making that affects their health and wellbeing. Pathways to Community Control is a shared policy agenda that provides a framework that supports Aboriginal communities' control in the planning, development and management of remote primary health care services. The policy is shared by the members of the Northern Territory Aboriginal Health Forum, namely the Commonwealth Government, the Aboriginal Medical Service Alliance Northern Territory, the

Northern Territory Primary Health Networks and the Northern Territory Government, and where they exist, local Aboriginal Medical Services. Parties have agreed that community controlled governance of health services is the optimal expression of the right of Aboriginal people to participate in decision making.

The Pathways to Community Control policy supports Aboriginal communities' control in the planning, development and management of primary health care and community care services in a manner that is both commensurate with their capabilities and goals and consistent with the objective of efficient, effective and equitable health systems functioning.

Benefits potentially on offer to Aboriginal Territorians include a more responsive health and family services system, improved quality and cultural security of services and improved levels of family and community functioning; all contributing to improved levels of health and wellbeing.

Grants management process

The Department of Health has implemented a range of improvements to its grants management process. The revised Grants Management Policy and Grants Management Operating Guidelines provide for:

- A policy preference to improve transparency and to provide the opportunity for appropriate competition in the allocation of grants.
- A government / non-government partnership approach to funded service delivery.
- Transparent approaches to grant allocation based on similar principles to those guiding procurement and contestability.
- A strong focus on outputs to be achieved by funded external service providers and accountability for those outputs.

The allocation of grants is across a range of health services including mental health services; disability services; health promotion and development activities; alcohol and other drug education, prevention and treatment services; and community-based primary health care services.

The revised process is not yet fully implemented and therefore conclusions are not yet available.

Other

Private providers looking to establish in the Territory face the challenge of assessing the commercial viability of providing a service. Outsourcing of renal and pharmaceutical services has been successful because the numbers are commercially viable and services are delivered from centralised locations. There has been limited success in outsourcing some remote services to private providers. For example, some remote renal services are delivered by Western Desert Nganampa Walytja Palyantjaku Tijutaku (WDNWPT) in Central Australia, however this model has not been subject to competitive assessment as funding is provided directly through the Commonwealth Government grants process.

Responses to requests for information

The Issues Paper acknowledges that the definitions of these terms can vary depending on the human service in question. However, the definitions of these terms may also vary between the locations of where certain human services are provided. For example, the quality of a human service delivered in a remote area may be lower than that delivered in Darwin, which in turn may be lower than could be delivered in a metropolitan area.

The definition of equity used in the paper is limiting and more closely reflects the principles of equality. Equality recognises the barriers that exist to the disadvantaged accessing services, but providing the same service to everyone does not mean they have the same ability to access those services. In some areas of Australia, particularly in regional and remote areas, certain human services may not exist at all. For example, access may not be considered equitable or equal if a resident of a regional or remote town has to drive 10 hours to access an emergency hospital care, at least if compared with their urban counterparts.

Remote service delivery is challenging given the comparatively high cost of establishing and delivering services in small communities with small client numbers, the lack of economies of scale, and barriers to market entry. Innovative approaches to market development will be required where private markets fail or are yet to mature, in order to provide a universal service to clients. In this context, equity is about providing the same level of services but being flexible, innovative and tailored in the approach to delivering equitable services in remote settings.

It should be noted that increased competition and contestability may not be easily implemented in the Territory and may not deliver a net benefit.

Provider of last resort

An aspect the Productivity Commission should consider when identifying human services best suited to the increased application of competition, contestability and informed user choice is the role of governments as the providers of last resort in delivering different services. While it is not clear from

the Issues Paper whether this would be captured under the 'Government Stewardship' section of Figure 2, the role of provider of last resort should be a substantial consideration for governments when designing markets for human services.

A provider of last resort principally ensures that in the event of a provider failure, arrangements are in place to ensure that customers continue to receive services. Similar arrangements are currently in place for essential services, such as electricity. While governments often provide funding to the private sector to deliver human services, in many instances in the Territory various levels of government are responsible for both the funding as well as the delivery of those services. In larger, thicker markets where markets can support a mix of both government and private service provision, the risks associate with provider failure can be lower, as there are generally alternative service providers that can accommodate some of the demand, or existing government services could expand their operations. However, in smaller, thinner markets, as often the market structure is in remote and regional areas, the risks associated with provider failure are often substantially higher, as there may not be an alternative service provider. If there is provider failure, government may need to step in at considerable expense to ensure the continued provision of that service.

The possibility of private provider failure needs to be considered when identifying human services best suited for reform, and there is a trade-off between potential benefits of competition against the risks and potential costs to consumers who may no longer receive the same level of service, may not receive that service at all, as well as the costs to government to intervene as the provider of last resort. These risks (and costs) may be different between human services depending on the level of complexity of the service to be delivered.

Culture and language

It is not clear from Figure 2 that a factor influencing the potential benefits and costs of increased competition, contestability and user choice is cultural and language considerations, particularly in remote and regional areas, but also in urban areas with high densities of languages other than English. For example, for many Indigenous people in the Territory, English is a second or third language, which may make communication more difficult when discussing complex medical issues. Language, as well other cultural considerations, may mean that the staff of service providers need to be culturally competent and be able to cultivate networks and relationships with patients. In some instances this can be difficult for service providers to achieve, especially if staff are only located in certain areas for short periods of time (for example due to short term government grant funding cycles).

Thus, the notion of informed user choice in this context must be carefully understood and strategies to elicit informed user choice need to be designed in a way that is tailored to the needs of each community, flexible and iterative, and builds in timeframes for early and long engagement using culturally appropriate tools, such as Aboriginal Interpreter services.

In order to improve the quality of services and living standards through competition reform, there will need to be a strong emphasis placed on well-designed and supported localised service delivery models in Indigenous community settings. Services offered locally can improve the client

relationship through regular face to face contact and responsive levels of care, fostering coordinated care of related human services to manage the complex and interrelated client needs, and promoting culturally competent services that are delivered by community members, in community. Quality in remote Indigenous human services is heavily reliant on culturally appropriate frameworks.

Health services

Of the factors shown in Figure 2, user capacity, economies of scale, and location of services are likely to have the greatest influence on the delivery of health services in the Northern Territory. In considering the health services that may be best suited for reform, care will have to be taken to make sure unregulated monopolies are not established, that services providers do not become solely reliant on government income and that services are not unbundled to the effect that only the essential but non-profitable services are left for governments to deliver.

REQUEST FOR INFORMATION

The Commission is seeking participants' views on which human services have the greatest scope for improved outcomes from the increased application of competition, contestability and user choice. Where possible, this should be supported by evidence from performance indicators and other information to show the extent to which:

current and expected future outcomes — measured in terms of service quality, efficiency, equity, accountability and responsiveness — are below best practice

competition, contestability and user choice do not exist under current policy settings, or are not as effective as they could be in meeting the goals of quality, equity, efficiency, accountability and responsiveness.
The Commission welcomes participants' views on how best to improve performance data and information in the human services sector.

Education

A service environment offering a mix of government and non-government providers is critical to competition and continuous improvement in school education service delivery. In the Territory, non-government schools are an important part of the education sector and provide greater choice for parents. The Commonwealth Government is the primary funder of non-government schools, although the Northern Territory Government also provides supplementary operational funding as well as some capital subsidies. The Northern Territory Department of Education works closely with the non-government sector, both as a funder and regulator, and as a partner in ensuring all Territory students receive a quality school education. Non-government schools are also able to charge school fees, which can be used to fund regular and specialist programs, extra-curricular activities and additional resources for teachers and students.

In urban areas the presence of a non-government school provider is based on the breadth of demand in the market. Non-government schools can differentiate themselves through facilities, specialisation (for example a well-regarded music or sports program, religious and pastoral programs, or niche curriculum offerings), and reputation. Non-government schools advertise to

families and in many cases compete on academic outcomes, attracting students away from government schools.

In small, remote communities in the Northern Territory which, due to population size cannot sustain a range of education providers, the presence of non-government schools is often due to historical reasons, for example, Catholic schools in some communities were originally established by Catholic missions.

A role for government in small education markets

Government must provide high quality education services, especially where the market fails to attract other providers. This is the case in many communities across the Territory, meaning Government's role in delivering high quality education is particularly important in remote areas.

Early childhood education and preschool provision in the Territory

A small population and limited market demand has resulted in preschool education services being primarily provided by the Territory Government. This is unlike other jurisdictions with larger diverse markets which have a number of for profit and not-for-profit providers offering early childhood education and preschool. In the Territory, Government offers preschool free of charge, with services typically annexed to an existing primary school, including preschool for 3 year olds in remote areas to address higher levels of young children's developmental vulnerability.

Remote secondary school provision

The Territory Government's Review of Indigenous Education (Wilson 2014) identified challenges in remote secondary education provision due to relatively small numbers of students in remote communities, such as the limited availability of curriculum options which limit user choice and affect student engagement. Although these issues are widespread across the Territory, the challenges due to relatively small numbers of students in remote communities often becomes more pronounced in the secondary years as user choice in secondary education options become more important. In the Territory, lower levels of student attainment can also be a key factor affecting student engagement in academic programs in the secondary years. Innovative and flexible approaches to delivering secondary education to all secondary students are required in order to deliver user choice, engage students and ensure the high quality of education delivery.

The Territory is implementing a number of approaches to improve student choice in this area through A Share in the Future Indigenous Education Strategy 2015-2024, such as support for remote students to attend residential facilities in regional areas or boarding school interstate if they wish to undertake an academic program, and an Employment Pathways Program which will be offered in remote communities for students with lower levels of literacy and numeracy and who need a more vocationally orientated program. The Employment Pathways Program delivers foundation skills alongside industry and employment pathways – providing greater choice of secondary education options to remote students.

Increasing autonomy and responsiveness to community needs

Where increased competition and user choice is not feasible, the Territory Government has responded to the needs of communities through improved community input and increased school autonomy, allowing government schools to compete more directly with the service offerings of non-government providers.

The Territory is delivering a range of reforms to provide government schools with greater school autonomy. Increased financial autonomy with the implementation global school budgets for all government schools in 2015 (including full control over their budgets and staffing profiles) has enabled schools to tailor their curriculum offering and select the support services which best meet their students' needs.

The establishment of 15 independent public schools in 2015 and 2016 take this level of autonomy and accountability even further, and provides independent public school communities a greater say in how these schools are administered and education programs delivered. Independent public schools are governed by a school board, made up of parents, community members and external experts. A new Northern Territory *Education Act (*2015) has also provided for greater community input to school governance.

Similarly, the Territory is cognisant of the varying needs of school communities in remote areas and there have been instances where the Territory Government has significantly changed remote education provision in response to community needs and to support user choice. This includes introducing flexible term dates at Gunbalanya and Lajamanu schools to better cater for cultural and seasonal needs of families, and transferring Docker River School to Nyangatjatjara Aboriginal Corporation at the request of the community to allow for increased community control over the school.

Use of data to inform choice

Transparent and accessible data plays a key role in supporting and informing user choice. There has been considerable effort in recent years, at a jurisdictional and national level, to provide the public with accessible data on school outcomes and performance. At a national level, school performance data and school characteristics are published on the MySchool website. MySchool website provides financial, staffing, student, attainment and attendance data on every school in the country. The commencement of the National Assessment Program – Literacy and Numeracy (NAPLAN) online will further increase the availability of timely and accurate performance data.

The Territory Department of Education's website includes a range of specific Territory wide government school data and information for families to assist them in choosing a school. These include enrolment and attendance data, Australian Early Development Census data, NAPLAN results, School Survey information and Northern Territory Certificate of Education and Training (NTCET) statistics. Individual school websites also enable schools to communicate their values, priorities and points of difference to potential families and the broader community.

Presently, parents have access to more information than ever before to allow comparisons to be made between similar schools and help parents to make informed decisions about their child's education. One of the key considerations, however, is to continue to improve the ways in which parents and students access this information, particularly among vulnerable and disadvantaged families, to better inform user choice.

Housing

Because of limited investment in the housing sector over many years, social housing has become increasingly targeted to those with the greatest and most complex needs.   This has led to falling rent revenue as the tenant's capacity to pay has declined, and created a cycle of stock deterioration through an ongoing lack of funds for maintenance and new supply.   Around Australia, more and more social housing is being provided by the community housing sector, with governments increasingly partnering with not-for-profit housing providers to supply and manage their housing stock.

Government expenditure on social housing could potentially be reduced if an increase in the competition and contestability of community housing leads to an increase in the private provision of this service and thus a reduction in the reliance on government to supply this service.

Increased competition may also create better outcomes for tenants.   United Kingdom and Australian research has found that community housing organisations achieve better outcomes for tenants, including better quality stock, greater tenant involvement, more client-centric services and strengthened communities.   The sector can also provide better value for money as it is able to leverage assets and can borrow against the properties it owns.   This allows government funding to go further and meet a greater proportion of unmet need.

REQUEST FOR INFORMATION

The Commission is seeking information on the supply characteristics of specific human services including:

economies of scale and scope — in terms of costs and service quality — that may be lost by having a larger number of competing providers

the potential for service provision to be made more contestable because there is capability beyond an existing provider that could pose a credible threat to underperformance

whether there are barriers to providers responding to change, or new suppliers entering the market, that limit the scope for increased competition, contestability and user choice or, if they do, what could be done to address this

technological change that is making competition and user choice more viable

factors affecting the nature and location of demand, such as geographic dispersion of users, the distribution of demand among different types of users, particularly disadvantaged and vulnerable users, and anticipated future changes in demand.

Local service delivery in regional and remote reform settings should be prioritised for a number of reasons. These include: long term sustainability; community capacity building; and enabling Indigenous economic and social participation. The link between local service delivery and improved competition can be expressed in terms of the competitive advantage that local providers with community and cultural knowledge develop; greater diversity in smaller markets; and improvements in quality and client outcomes. This does not diminish the possibility of larger competitors working in partnership with smaller, local organisations and in joint venture type arrangements where capacity development is warranted. The Territory has seen some success with these types of approaches, and recognises the value of the skills transfer, enhanced business and governance frameworks and supply networks, and access to enabling capital that can be realised through joint approaches.

Education

The majority of education services including early childhood, schools, higher education and vocational education and training (VET) in the Territory operate in a limited education market as the Territory does not have the population or demand to support a large number of schools or other education providers. This is particularly evident in remote communities which are usually serviced by one school or annexed learning centre.

In an urban setting families have considerably more choice, however this is still influenced by factors such as ability to access transport, the family's capacity to pay school fees charged by non-government schools, specialist programs offered, family preferences for government, Catholic, Christian or independent education, as well as the enrolment capacity of the schools in some cases.

While there is a limited market for education services, there are a range of education options available in the Territory. Attending a government school is the most widely available option, with the non-government sector constituting about 20 per cent of all schools. Within the non-government sector there are Catholic, Christian and independent education providers. Where attending school physically is not a feasible option, home schooling and distance education is available to all families.

Housing

Social housing tenants and people experiencing homelessness, or at risk of becoming homeless, are not 'boxed' categories of people.   Within each segment of that continuum is a range of service recipients who are ready, willing and able to make decisions of their own behalf, to those who are less able.   There is also a range of factors including vulnerability, expertise and an understanding of alternatives, affecting the ability of recipients to make an informed choice.

Supply characteristics – social housing

The community housing sector in the Northern Territory is in its infancy, with a handful of providers managing a small number of dwellings/tenancies.   While there is potential for contestability of service provision, it is generally considered that adequate 'scale' means that community housing providers ought to be managing approximately 500 dwellings. Under HousingActionNT, the Territory is committed to transferring up to 150 dwellings to the community housing sector.

Regulatory arrangements are already in place to support the growth of the community housing sector.

Supply characteristics – homelessness

Improved market based delivery of homelessness and housing support services in the Territory could be achieved through greater coordination and aggregation of programs and funding.

There are currently multiple points of entry to the system and coordinated service delivery occurs on an ad hoc basis.   This fragmentation means that there is a lack of effective integration between homelessness services and between homelessness services and the rest of the housing and human services system.   As a result:

- the pathways or transitions between services and along the housing continuum are unclear;
- people in crisis often need to tell their story multiple times throughout the support process;
- it is more difficult for service providers to provide clients with the wrap around supports they need; and
- it is harder for people to transition from crisis and supported accommodation options resulting in crisis housing becoming a long term solution.

Homelessness and housing support funding in the Northern Territory is generally program based block grant funding, offering service providers limited opportunities for flexible service provision or innovation.

Demand characteristics

Waiting lists for social housing remain fairly constant and supply is not keeping up.   It is expected that ongoing population and demographic changes will continue to drive solid growth in underlying housing demand.

In the Northern Territory, some of the public housing stock is now at the end of its economic life and/or it does not meet current needs.   Poor maintenance of dwelling stock often creates stigma and negative stereotyping of social housing tenants.   Under-utilisation of housing stock has become a challenge as typical household sizes have decreased and tenants are living in social housing that does not match their household size or needs.   This factor remains a focus as we continue to manage stock and associated tenancies optimally.

Although the Northern Territory has a relatively younger population compared with other states, there is a need to consider appropriate housing as demographic characteristics change.

As at 31 May 2016, approximately 49 per cent of urban tenancies and 30 per cent of remote tenancies are aged 55 and over.

Service recipients are presenting with more complex needs with demand predominantly for smaller one or two bedroom dwellings.