Submission to Productivity Commission Draft Report on Reforms to Human Services

Comments on Social Housing and Family and Community Services

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About Yfoundations

Since 1979 Yfoundations has been the NSW peak body on youth homelessness, representing young people at risk of, and experiencing, homelessness, as well as the services that provide direct support to those young people.

Yfoundations' mission is to create a future without youth homelessness, where all young people have access to appropriate housing options that can address individual needs. This goal is pursued by: providing advocacy and policy responses on issues related to youth homelessness; promoting, and furthering the development of, good practice in addressing youth homelessness; and striving to ensure that youth homelessness remains a priority in public policy.

Youth homelessness interrelates with a range of issues, and ending it will require a whole of government and service system response, with coordination across different service areas and collaborative and integrated solutions. To place youth homelessness in this broader context Yfoundations has adopted, based on the insights and experience of services and young people, a framework of five domains in which each young person must have the opportunities to thrive. These five foundations for ending youth homelessness guide thinking on what is needed for young people's positive growth and development. The five foundations are:

Safety and Stability

It is vital that all young people not only feel safe, but also are actually protected from risk factors that may impede their developmental process. During childhood and adolescence, young people must receive the necessary support to ensure they develop a strong safety system, both internally and within their external networks. A strong and stable foundation will foster confidence and independence within a young person, which will promote active participation in community life.

Home and Place

It is vital that all young people have access to a safe, non-judgemental home and place. A comfortable place that they identify with and feel a strong connection to. A Home and Place should be an environment that promotes growth and fosters positive development.

Health and Wellness

It is vital that all young people, particularly during the formative stages of their growth and development, are physically, socially and emotionally well. To ensure this, young people must have access to all the necessary prerequisites for achieving health and wellness. Being well and feeling healthy, will promote self-worth, and ensure young people feel competent to participate in their communities.

Connections and Participation

It is vital that all young people are given the opportunity to develop and nurture the connections in their lives. Connections to friends, family, community and society promote resilience and social inclusion. Youth people must be listened to and have the opportunity to influence outcomes. Positive connections to and genuine participation in community life during the formative stages of childhood and adolescence enables a young person to build a strong positive foundation and prepares them for adult life.

Education and Employment

It is vital that all young people are given the opportunity to pursue their educational and professional goals. Education and training is crucial to the growth and development of young people. Education and training, including formal tuition and practical life skills, promotes self-confidence and independence and provides young people with the skills and competencies

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Summary

Draft Recommendation 5.1:
Partially supported. Support increase of CRA to those in private rental market (though increase may not be sufficient), but other changes part of package with recommendation 5.2, which is not supported.

Draft Recommendation 5.2:
Not supported. There is not sufficient information presented to assess the impacts of this proposed reform.

Draft Recommendation 5.3:
Supported. It should be noted that choice is unlikely to be achieved in the current context. However, a trial of choice-based letting in an Australian context is supported.

Draft Recommendation 5.4:
Supported. However, see comments on recommendation 7.2 regarding provider type.

Draft Recommendation 6.1:
Supported. But although the funding is delineated, it must be possible for the same organisation to take both roles especially in regional areas.

Draft Recommendation 6.2:
Not supported, see comments on recommendation 7.2 regarding provider type.

Draft Recommendation 6.3:
Not supported, see comment on recommendation 5.2.

Draft Recommendation 6.4:
Supported. Community sector should be consulted in developing outcomes.

Draft Recommendation 6.5:
Supported. But further consultation on information to be provided is required.

Draft Recommendation 7.1:
Supported.

Draft Recommendation 7.2:
Partially supported. We support designing selection criteria to focus on service ability to achieve outcomes, and allowing sufficient time in tender process (plus resources for collaboration). However, we have deep concerns about not "discriminating" between for-profits and not-for-profits. For-profits generally require much higher level of regulation because incentive is profit. Also, for-profits have greater access to capital markets, and so playing field is not level.

Draft Recommendation 7.3:
Supported. But note need for consultation with community sector, and for Governments to

also be accountable to outcomes.

Draft Recommendation 7.4:
Supported.

Draft Recommendation 7.5:
Supported. But need research into ideal contract length, consider 10 years.

Draft Recommendation 7.6:
Supported. But needs clarification that efficiency is tied to effectiveness. This is made clear in body of the Draft Report, but point needs to be made in recommendation.

Draft Recommendation 7.7:
Supported. Note that relational contracting already happens in some districts, and lessons could be learned.

Introduction

Yfoundations welcomes the opportunity to comment on the Productivity Commission's recent report "Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services, Draft Report" (hereafter referred to as the "Draft Report"). We will confine our responses to the recommendations on social housing (sections 5 and 6) and family and community services (section 7).

Social Housing

Draft Recommendation 5.1

The Australian Government should enhance Commonwealth Rent Assistance (CRA) by:
- *extending CRA to cover tenants in public housing*
- *increasing the current maximum CRA payment by about 15 per cent to address the fall in the relative value of CRA caused by average rents rising faster than the consumer price index since 2007*
- *indexing the maximum CRA payment amount to reflect changes in rental prices nationally.*

Yfoundations supports the increase to CRA (though we note that increasing the maximum amount based on the average rental increase will still leave those in the more expensive capital cities in rental stress). However, this change is clearly intended as part of a package with recommendation 5.2, about which we have concerns, see below.

Draft Recommendation 5.2

State and Territory Governments should abolish the current assistance model for social housing where rents are set at a proportion of tenant's income and enhance user choice by:
- *providing a high-cost housing payment funded by State and Territory Governments for eligible tenants, such as those with a demonstrated need to live in a high-rent area*
- *delivering the high-cost housing payment to the tenant in a way that would enable it to be used in either the social or private rental markets*
- *offering existing tenants in social housing an option between continuing to pay rent set at a proportion of their income for up to ten years, or electing to move to the new assistance model*
- *charging market rents for tenants in social housing.*

Yfoundations has concerns over the changes proposed by this recommendation. A recent draft report produced by IPART explicitly rejected the move to a market rent model in social housing. IPART's conclusion, which was well-justified and broadly supported by organisations across the community sector in NSW, was that "basing tenant rent contribution on anything other than household income is likely to make social housing unaffordable for most tenants".[1] The extension of Commonwealth Rent Assistance (CRA) to Public Housing

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[1] Independent Pricing and Regulatory Tribunal of New South Wales, *Review of rent models for social and affordable housing*, (Sydney, April 2017).

tenants, and it's increase by 15%, would offset this problem for many and even make some better off. However, insufficient information has been given to properly assess this proposed reform. A number of questions need to be answered, such as:

- What is the Productivity Commission's estimate of how many households would be worse off (and by how much) under the scenario of increased CRA and market rents in social housing?
- Do these calculations take into account that community housing tenants already receive CRA?
- Is it the case that it is the lowest income households that are most likely to be worse off?
- What are the eligibility requirements of the high-cost housing payment?
- Is it possible that some of the households that are worse off are not in high rent areas, but simply have very low incomes, and therefore would not be eligible for a high-cost housing payment?
- What is the Productivity Commission's estimate of how many households would be worse off (and by how much) even with a high-cost housing payment?

More detailed modelling of the effects of this reform are required before a proper assessment can be made.

Draft Recommendation 5.3

State and Territory Governments should introduce choice-based letting for tenants entering into, and transferring between, social housing properties.

Yfoundations supports trialing choice-based letting.[2] The recommendation to improve user-choice through a choice-based letting scheme will bring the social housing market in Australia in line with that of other developed countries, such as the United-Kingdom and The Netherlands, and allow individuals the freedom to make informed decisions and to have conscious control and choice over their lives.

However, the social housing portfolio in NSW and Australia more broadly is small, especially when compared to portfolios in other developing countries. For example, social housing comprises around 18% of the rental housing market in the United-Kingdom.[3] There is also currently a mismatch in the size and type of dwellings available. While the majority of social housing applicants are single adults, the housing stock is made up primarily of family homes. The small number of available and appropriate housing may well make user-choice difficult to implement and sustain in the long run.

There are also concerns around accessibility, depending on how housing providers intend to advertise their properties, as not everyone will have consistent access to the Internet. Potential tenants who have been shortlisted to express interest in a particular dwelling should be contacted directly to inform them of their possibility to do so. Tenants should also be offered assistance to complete and submit an expression of interest to the desirable

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[2] Note, response for this recommendation adapted from: Natalia Gale and Chris Stone, *IPART Review of Rent Models for Social and Affordable Housing: Yfoundations Submissio*n, (Yfoundations, Sydney, May 2017).
[3] Kathleen Scanlon, Christine Whitehead and Melissa Fernandez Arrigoitia, *Social Housing in Europe* (London School of Economics and Political Science).

standard; otherwise you risk introducing an un-level playing field for those with poor communication skills.

Further, with already long and increasing wait times for social housing, we have concerns surrounding the negative impacts of being passed over for housing time and time again might have on individuals. When a potential tenant expresses interest for a property, they are likely to be doing so because the property meets their needs and have their heart set on that property. While one, two or even three rejections might be understandable and manageable, individuals are likely to become disheartened if they are turned down an indefinite number of times.

Lastly, not all assessments of this approach overseas have been positive. For example, there has been criticism of the way the scheme was adapted to a UK context that included a waiting list of applicants.[4]

For these reasons, while supporting choice-based letting in theory, we would recommend trialing and evaluating such a system to ensure that the process is managed and controlled so as to be workable.

Draft Recommendation 5.4

State and Territory Governments should continue to make the management of social housing properties contestable, on a staged basis. The management of social housing properties should be subject to a tender process that is open to all providers, including the government provider.

Yfoundations supports this recommendation. However, see comments on Recommendation 7.2 around the need to be able to consider provider type in the selection process.

Draft Recommendation 6.1

When commissioning tenancy support services, State and Territory Governments should:
- *clearly separate the funding and commissioning of tenancy support services from tenancy management services*
- *ensure that tenants renting in the private market have the same access to support services as tenants in social housing.*

Yfoundations supports this recommendation. However, it should be made explicit in the recommendation that it is the process of funding and commissioning of tenancy support services that should be separate from tenancy management services; and that the two funding streams could be awarded through competitive tendering processes to the same provider. This is particularly important in regional areas where there may be only one provider with on-the-ground experience in that area.

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[4] John Seddon, *Systems Thinking in the Public Sector*, (Triarchy Press, Axminster, 2008) pp. 16-25.

Draft Recommendation 6.2

State and Territory Governments should ensure that the entity responsible for managing social housing assets is separate from the entity responsible for social housing policy. The entity managing social housing assets should be subject to competitive neutrality policies.

Yfoundations has some concerns about this recommendation. There is a lack of clarity about how separation between entities will be achieved. Also, see comments on Recommendation 7.2 around the need to be able to consider provider type in the selection process.

Draft Recommendation 6.3

State and Territory Governments should ensure that applicants for social housing assistance:
* *receive a comprehensive up-front assessment of their eligibility for: a social housing placement; the high-cost housing payment (draft recommendation 5.2); and tenancy or other service support, including support to enable the tenant to choose their home*
* *are made aware: that the high-cost housing payment would be payable if they chose to live in either the private or social housing markets; and of the extent to which support services available in social housing would also be available in the private market.*

This relates to recommendation 5.2 which Yfoundations does not support.

Draft Recommendation 6.4

State and Territory Governments, in conjunction with the Australian Institute of Health and Welfare, should improve the data that are collected on:
* *the efficiency of social housing*
* *tenant outcomes, including high-cost housing payment and service recipients who choose to rent in the private housing market.*

State and Territory Governments should clearly define the outcomes they are seeking to achieve to support the commissioning of tenancy management and tenancy support services, and put in place frameworks to assess their success in meeting these outcomes over time. Outcomes data should, to the extent possible, be consistent and comparable to that developed for family and community services (draft recommendation 7.3).

Yfoundations supports this recommendation, but it should also include reference to the necessity of consulting with the community sector in developing outcomes, and be explicit that outcome measures should be for all social housing providers including those provided by government.

Draft Recommendation 6.5

State and Territory Governments should:
* *publish information on expected waiting times to access social housing, by region, in a format that is accessible to prospective tenants*
* *make publicly available the regulatory reports on the performance of community providers that are undertaken as part of the National Regulatory System for*

Community Housing.
To facilitate choice-based letting, State and Territory Governments should publish
information on available social housing properties, such as the rent charged for the property,
number of bedrooms and the location of the property. This information should be
disseminated across a range of mediums, such as online and printed leaflets.

Yfoundations supports this recommendation. However, consultations with the community sector and service users should be undertaken to determine what data is made available. There is a danger that some data may be misleading, for example, the length of time spent on a priority list is much shorter than on a waiting list. Publication of only the waiting list wait times could lead some who are highly disadvantaged to give up on this option, when in fact their waiting time could be much shorter.

Family and Community Services

Draft Recommendation 7.1

The Australian, State and Territory Governments should work together to develop and
publish:
- *data-driven maps of existing family and community services*
- *analysis of the characteristics and needs of the service user population to assist with*
- *system and program design and targeting*
- *service plans to address the needs of people experiencing hardship.*

Yfoundations supports this recommendation.

In particular, it is very positive that the service plans will be underpinned by analysis of both user needs and existing services. It is important to consider both sets of data in planning because where services are inadequate to meet community need over most areas; reallocation of resources to areas of higher need will not result in a net improvement in service provision, and can actually reduce the quality and extent of services provided. The reason for this is that if a service's resources are fully utilized in a region of low need, reallocating those resources to a region of high need will still only result in full utilization. And the process of reallocation can contain unavoidable inefficiencies. The reallocated resources may take time to be put into effect, and initially may not be used as expertly due to inexperience in the new region. Also, the loss of resources in the original region may mean that related services become less effective and community contributions are lost.

To avoid such inefficiencies, Governments must have information on what would be lost in a reallocation of resources, and so will need to undertake an analysis of sector strengths and weaknesses along with the assessment of need. Such an analysis would need to be thorough enough to detect strengths, such as collaborations with a preventative effect, which go beyond Government funding, but are dependent on it. It should be noted that, if there is sufficient confidence in the accuracy and independence of the analysis, this would allow direct negotiation with existing providers instead of a competitive tender process.

Draft Recommendation 7.2

The Australian, State and Territory Governments should adjust provider selection processes in family and community services to reflect the importance of achieving outcomes for service users. Governments should:
- *design selection criteria that focus on the ability of service providers to improve outcomes for service users*
- *not discriminate on the basis of organisational type (for-profit, not-for-profit and mutual for example)*
- *allow sufficient time for providers to prepare considered responses (including the development of integrated bids across related services).*

Yfoundations supports the first and third bullet points of this recommendation, but there are substantial concerns that the second bullet point can be interpreted as a recommendation to always ignore organisational type as a factor in selection processes. Each of the bullet points are responded to below.

Selection Criteria Focussed on Ability of Service Providers to Improve Outcomes for Users:

Yfoundations supports this aspect of the recommendation. As noted in the draft report, Governments may focus more on the quality of tenders than a proven history of performance, and this can lead to reduced outcomes for service users. A focus on the ability of service providers, including aspects such as specialist expertise and existing links with the local community and with other service providers in the region, will help ensure that the needs of service providers are best met.

Not Discriminate on the Basis of Organisational Type:

Yfoundations has strong concerns over the way the recommendation is expressed. The implication is that selection processes must never consider organisational type as a factor. While it is incorrect to assert that any one type of organisation is inherently always superior at delivering services, it is equally incorrect to assert that organisational type never has any effect on the delivery of services. The type of vendor can be relevant in contracting for services,[5] and a sound commissioning process should consider which actors to involve in delivering services.[6]

As the draft report acknowledges, at page 86, the focus on cost reduction in for-profit providers brings with it a risk of quality reduction. So, while consumer protections are always required regardless of the type of provider, logically if the for-profit cost reduction focus has a higher risk of poor quality then the consumer protections would need to be more stringent where providers might be for-profit organisations. In some cases, more stringent protections may not be feasible (e.g. because quality is difficult to measure, enforcement is impractical, or users are unlikely to make formal complaints). In such cases the type of organisation does affect the likelihood that the provider will improve outcomes for users, and so should be a factor in the selection process.

Compounding this issue is the fact that for-profit organisations have better access to capital

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[5] Trevor L. Brown, Matthew Potoski, and David M. Van Slyke, "Managing Public Service Contracts: Aligning Values, Institutions, and Markets" (*Public Administration Review*, May/June, 2006) p. 328.
[6] John Alford and Janine O'Flynn, *Rethinking Public Sector Delivery: Managing with External Providers* (Palgrave Macmillan, New York, 2012) pp. 92-93.

markets. [7] So Governments, in attempting not to "discriminate" between types of organisation, will create an un-level playing field which advantages the type of providers that, at least in some cases, will be less likely to deliver the best possible outcomes for service users.

Yfoundations suggests that this aspect of the recommendation be deleted. A focus on the ability of service providers to improver user outcomes, as is already in this recommendation, will mean that organisational type will only be considered where it may affect user outcomes, and under such circumstances it should be considered.

Allow sufficient time for providers to prepare considered responses (and integrated bids):

Yfoundations supports this aspect of the recommendation, but it should go further and recommend resources for collaboration.

A key problem with the processes of the Going Home Staying Home (GHSH) reform of the NSW homelessness services sector, was the short period for tender proposals combined with an expectation of collaboration because the number of contracts being awarded was reduced.

What occurred in some districts is that services located close together that had previously cooperated, put in competing tenders that led to a break-down in the relationships between the services. Arguably more time would have allowed these services to negotiate cooperative arrangements. Also, in cases where such arrangements were made, many of these were unstable because the short time-frames had not allowed organisation to form a sound basis for cooperation and resolution of differences.[8]

The lesson is that if Governments want integrated service provision through provider cooperation, they need to allow sufficient time for such cooperation to be negotiated. What makes the time sufficient is not just the length of time, but also avoiding, or allowing for, times where opportunities for negotiation are limited. For example, it is inadvisable to have tender processes open over the Christmas period as was done during GHSH.

In addition to allowing sufficient time for coordination, the draft report also states, at page 217, that:

> Governments could achieve better outcomes and more efficient use of resources by identifying regions and services where coordination is needed and allocating resources specifically to coordination between service providers.

This is an important point and aligns with research on collaborative approaches, for example research on the Collective Impact model recommends a resourced backbone organisation to coordinate services.[9] This point should appear in the recommendations.

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[7] Productivity Commission, *Contribution of the Not-for-Profit Sector: Productivity Commission Research Report* (Canberra, 2010) p. 184.
[8] KPMG, Going Home Staying Home Post-Implementation Review: 2015 Final Report (FACS, Sydney, 2015), p 107.
[9] J Kania and M Kramer, 'Collective Impact', *Stanford Social Innovation Review*, Winter, 2011, pp36-41.

Draft Recommendation 7.3

The Australian, State and Territory Governments should prioritise the development of user-focused outcome measures for family and community services — indicators of the wellbeing of people who use those services — and apply them consistently across all family and community services.

Governments should also identify outputs from family and community services that can be used as proxies for outcomes or measures of progress toward achieving outcomes.

In developing outcome measures and outputs, governments should define the indicators broadly so they can be used in provider selection, performance management and provider, program and system-level evaluations across the full range of family and community services.

Yfoundations supports this recommendation, but it should also include reference to the necessity of consulting with the community sector in developing outcomes, and be explicit that outcome measures should be for all family and community services including those provided by government.

Draft Recommendation 7.4

The Australian, State and Territory Governments should improve systems for identifying the characteristics of service delivery models, service providers, programs and systems that are associated with achieving outcomes for the people who use family and community services. To achieve this, governments should:
- *monitor the performance of providers of family and community services in achieving outcomes for service users*
- *evaluate service providers, programs and systems in ways that are commensurate with their size and complexity*
- *proactively support the sharing of data between governments and departments, consistent with the Commission's inquiry report Data Availability and Use*
- *release de-identified data on family and community services to service providers and researchers*
- *develop processes to disseminate the lessons of evaluations to governments and service providers.*

Yfoundations supports this recommendation. Monitoring that is focused on outcomes for service users, and not the outputs of service providers, will allow for innovation.

Draft Recommendation 7.5

The Australian, State and Territory Governments should set the length of family and community services contracts to allow adequate time for service providers to establish their operations, have a period of stability in service delivery and for handover before the conclusion of the contract (when a new provider is selected).
To achieve this the Australian, State and Territory Governments should:
- *increase default contract lengths for family and community services to seven years*
- *allow exceptions to be made, such as for program trials which could have shorter*

contract lengths
- *provide justification for any contracts that differ from the standard term*
- *ensure contracts contain adequate safeguards to allow governments to remove providers in any cases of serious failure.*

Yfoundations supports this recommendation. Longer contract terms would have a range of benefits to service users. We note that there seems to be little research on what the ideal length of a contract should be in a human services context. Seven years would be an improvement on the current three or less years, but some in the homelessness sector have suggested ten years is appropriate. Further research on ideal contract length is required.

Draft Recommendation 7.6

The Australian, State and Territory Governments should provide payments to providers for family and community services that reflect the efficient cost of service provision.

Yfoundations supports this recommendation. However, there is a strong possibility of the recommendation being misunderstood. Frequently the term "efficient" is construed very narrowly. At page 228 the draft report clarifies that aligning payment with the efficient cost of provision "would include funding for investment in workforce capacity and equipment, coordination with other service providers and the costs of meeting regulatory requirements (such as data collection)." This should be included in the recommendation.

Draft Recommendation 7.7

The Australian, State and Territory Governments should:
- *train staff to increase their capacity to implement outcomes-based approaches to commissioning and relational approaches to contract management*
- *trial relational approaches to contract management in family and community services.*

Yfoundations supports this recommendation. It is worthwhile noting that in some districts relational approaches to contract management of homelessness services are, in effect, already being applied by FACS. Thus, trials of relational approaches should be supported by pre-trial research into existing practices to ensure that lessons already learned are incorporated into the trials.