



Australian Government
Productivity Commission

Expenditure on Children in the Northern Territory

Productivity Commission
Draft Report
Overview & Recommendations

November 2019

This draft report has been prepared for further public consultation and input. The Commission will finalise its report after these processes have taken place.



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The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website (www.pc.gov.au).

Opportunity for further comment

The Commission thanks all participants for their contribution to the study and now seeks additional input for the final report.

You are invited to examine this draft report and comment on it by making a written or oral (by phone) submission by Friday 20 December 2019. Further information on how to provide a submission is included on the inquiry website: <https://www.pc.gov.au/inquiries/current/nt-children/make-submission>.

The final report will be prepared after further submissions have been received, and will be submitted to the Australian Government by April 2020.

Commissioners

For the purposes of this study the Commissioners are:

Michael Brennan	Presiding Commissioner
Angela MacRae	Commissioner
Catherine de Fontenay	Commissioner

Foreword

Families and communities in the Northern Territory possess important strengths and heritage but many also face significant adversity. Children in the Northern Territory are four times more likely than Australian children overall to come into contact with the child protection system, and they face higher rates of socioeconomic disadvantage.

This study explores how governments can work together more effectively so that their funding develops the strengths and protective factors of communities that help to keep children safe and well. As an independent advisory body, the Productivity Commission is well placed to undertake a study of this nature. We bring a whole of community perspective to the issues and consult widely across governments, communities and non-government organisations. This provides the Commission with a unique vantage point from which to observe issues and consider solutions. We have seen that the problems occur at the system level, in spite of the many capable and committed people on the ground and within government. The problems are structural and bigger than any individual entity.

Many of the challenges that apply to children and family services in the Northern Territory — siloed decision making, inadequate coordination between and within governments, and lack of data on services and outcomes at the community level — are also present in other jurisdictions and other policy areas. But their impacts are felt more acutely in environments of high disadvantage. We recognise that there are no easy solutions and that enduring change will require leadership and a commitment to collaboration over the long term.

One of our ambitions for this study was to come up with ways for governments to make better funding decisions that complement current reforms and that make use of organisational structures that are already in place. Communities in the Northern Territory have experienced considerable upheaval as a result of continual policy changes in this area and we have been careful to build on, rather than reinvent, existing reform efforts.

This study was conducted jointly by me and my fellow Commissioners Angela MacRae and Catherine de Fontenay. We were supported by a dedicated team in the Commission's Melbourne and Canberra offices, led by Ana Markulev.

The Commission is grateful to the many individuals and organisations who have taken the time to contribute to this study, including those who provided data, participated in visits and roundtables, and made submissions. I look forward to your continued contributions as we develop our final report over the coming months.

Michael Brennan

Chair, Productivity Commission

November 2019

Terms of reference

I, the Hon Josh Frydenberg MP, Treasurer, pursuant to Parts 2 and 4 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission undertake a study into Commonwealth and Northern Territory Government expenditure in the Northern Territory in the area of children and family services relevant to the prevention of harm to children.

Background

The Royal Commission into the Protection and Detention of Children in the Northern Territory (Royal Commission) found that funding arrangements in the Northern Territory appear to be characterised by a lack of coordination between the Northern Territory and Commonwealth Governments, and within each government.

The Royal Commission found that Commonwealth and Northern Territory Government investment is not rigorously tracked, monitored or evaluated to ensure that it is appropriately distributed and directed.

The Royal Commission was concerned that government funds were directed to programs without reference to the existence of other programs, their target locations or the outcomes of the services delivered. A study into expenditure in the Northern Territory will supplement information already provided as part of the Royal Commission, and will support the development of a joint funding framework as recommended by the Royal Commission (Rec 39.05 refers).

A joint funding framework is an important step in ensuring the efficient and effective allocation of resources.

Scope

The Commonwealth and Northern Territory Governments have agreed to a joint study of children and families funding and services in the Northern Territory as a response to the Royal Commission.

The Productivity Commission will examine ways to improve funding arrangements across and within the Commonwealth and Northern Territory Governments and the services delivered via these funding arrangements. The Productivity Commission should have regard to relevant funding arrangements including for payments to or through the States (such as those made under National Partnerships), and grants (such as those made under the

Indigenous Advancement Strategy and other selected programs related to the prevention of harm to children).

In undertaking the study, the Productivity Commission should consider:

- the objectives, governance and implementation of current funding arrangements including assessment of:
 - the extent of duplication and lack of coordination across Commonwealth and Territory funding arrangements, individual programs and service providers
 - whether the approach to the design of programs aligns with policy objectives
 - the approach to engaging service providers and allocating funds
 - accountability, reporting and monitoring requirements for service providers and governments
 - levels of access to services
 - approaches to service delivery, including continuity of funding for services over time and levels of coordination and integration between services where a variety of service providers are used.
- principles and approaches for governance and funding to promote better outcomes and improve:
 - the coordination of Commonwealth-Territory funding
 - the coordination, funding, design and administration of programs
 - the delivery of services and levels of access.

The Productivity Commission should have regard to:

- (a) the federal financial relations framework, set out in the Intergovernmental Agreement on Federal Financial Relations and the *Federal Financial Relations Act 2009*
- (b) the Commonwealth Grant Rules and Guidelines
- (c) existing funding agreements and contractual arrangements between relevant parties
- (d) existing accountability controls and conditions under (a), (b) and (c).

The scope of the study does not include an assessment of the Northern Territory's expenditure relative to the GST revenue received through the Commonwealth Grants Commission assessment process.

Process

The Productivity Commission will commence the study on 1 April 2019.

The Productivity Commission should undertake appropriate consultation including with the Aboriginal and Torres Strait Islander community sector. The Productivity Commission

should release a draft report to the public and provide the final report to Government within 12 months.

The Hon Josh Frydenberg MP
Treasurer

[Received 6 March 2019]

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Abbreviations

ABS	Australian Bureau of Statistics
ACCHS	Aboriginal Community Controlled Health Services
ACCO	Aboriginal Community Controlled Organisation
AIFS	Australian Institute of Family Studies
AIHW	Australian Institute of Health and Welfare
ALC	Anindilyakwa Land Council
AMSANT	Aboriginal Medical Services Alliance Northern Territory
ANAO	Australian National Audit Office
CfC	Communities for Children
COAG	Council of Australian Governments
DEX	Department of Social Services Data Exchange
DOE	Department of Education
DSS	Department of Social Services
FaFT	Families as First Teachers
GWLW	Grow Well Live Well Palmerston
IAS	Indigenous Advancement Strategy
IFPS	Intensive Family Preservation Service
IFSS	Intensive Family Support Services
LDM	Local Decision Making
NIAA	National Indigenous Australians Agency
PM&C	Department of the Prime Minister and Cabinet
RCT	Randomised controlled trial
Royal Commission	Royal Commission and Board of Inquiry into the Protection and Detention of Children in the Northern Territory
STKIC	Southern Tanami Kurdiji Indigenous Corporation
WYDAC	Warlpiri Youth Development Aboriginal Corporation

OVERVIEW

Key points

- Children in the Northern Territory are four times more likely than Australian children overall to come into contact with the child protection system, and face higher rates of socioeconomic disadvantage. To help address this, the Commonwealth and NT Governments commit significant funds to children and family services. In 2018-19, they collectively spent about \$538 million, through 9 funding agencies, more than 700 grants, to over 500 service providers.
- Despite these significant resources, the Commonwealth and NT Governments continue to make funding decisions in relative isolation. This has led to fragmentation, inefficiencies in service delivery, and significant overlap in expenditure effort.
 - There is inadequate coordination between and within both governments, with each often unaware of what the other is funding and of what is being delivered on the ground.
 - It is unclear how the merits of activities for one place are weighed against the merits of activities in another, with the risk of inequitable funding flows driven by the capacity of service providers to apply for funding, rather than by needs and priorities of communities.
 - The current approach to funding service providers is largely short term and output focused. This creates uncertainty and inhibits the ability of providers to build capacity, develop trust, and design and deliver culturally appropriate services over the long term.
- There is immense goodwill, positive reforms and pockets of good practice, but a fundamental shift in approach is needed — one that is underpinned by a stronger commitment to transparency and collaboration between governments, service providers and communities. This would help to ensure that governments are collectively accountable for achieving their shared objective — of keeping children and young people safe and well.
- A formal process — of agreed funding and selected funds pooling — should be established between the Commonwealth and NT Governments. This would involve both governments agreeing on what children and family services each will fund (and where they will pool funds) based on the service needs and priorities identified in community plans.
 - Community plans should be developed that provide a snapshot of the strengths and needs of children and families in the community and give community voice about which children and family services they would like to retain, change or replace.
- Governments should transition to longer-term contracts (a minimum of seven years) that cover the full costs of service provision and take into account the capacity of providers to deliver outcomes, particularly for Aboriginal communities. This should be supported by a relational approach to contracting, where regional government staff and providers engage in regular collaborative reviews with users on service outcomes and continuous improvement.
- Better use of data and public reporting of progress against outcomes for children and families at the community level is also needed. And both governments need to significantly improve their record keeping for the services they fund, and create and maintain a public services list.
- Stronger supporting institutions will be required. The role of the Children and Families Tripartite Forum should be strengthened to include the provision of advice to governments on funding arrangements. And both governments should ensure that their regional networks have the skills, capacity and authority to collaborate to develop community plans and undertake relational contracting.
- Implementing these reforms will be challenging and will require leadership and long-term commitment from governments. The development of a joint funding framework between the Commonwealth and NT Governments would formalise and bolster the reforms proposed in this report. External oversight of the reforms by the NT Children's Commissioner would also help to embed incentives for implementing the reforms.

Overview

This is a study about government expenditure on children and family services in the Northern Territory, with a focus on services relevant to the prevention of harm to children. In essence, the study is about how the Commonwealth and Northern Territory Governments can work together better, so that their expenditure decisions lead to improved outcomes for children and families.

The terms of reference for this study originated from the Royal Commission into the Protection and Detention of Children in the Northern Territory (the Royal Commission). That Commission was established following the airing in 2016 of the ABC's *Four Corners* TV program, 'Australia's Shame,' that included footage of mistreatment of children in detention in the Northern Territory. The Royal Commission found that expenditure on children and family services is not rigorously tracked, monitored or evaluated to ensure that it is appropriately distributed and directed. It identified a need for greater coordination and transparency of government funding decisions.

Many of the detailed findings of this study confirm those of the Royal Commission. However, identifying a need for coordination does not resolve the question of how to achieve coordination. There is a delicate balance to strike between the need for substantial improvements in coordination, and the need to maintain some continuity in an environment that has been marked by abrupt policy changes. The recommendations of this study aim to strike that balance.

Although there is a desire within many government departments to make changes, and there are signs of positive reforms, many stakeholders are sceptical of governments' ability to follow through. This is partly driven by their experience of the long history of inquiries that relate to child harm in the Northern Territory and by the fact that there has been little enduring change to the outcomes that matter most — keeping children and young people safe and well. Governments are often quick to accept recommendations and announce reforms, but there can be a tendency for true change to evaporate during the long and difficult process of implementation. This may reflect fiscal pressures, administrative inertia, pushback from influential stakeholders, or simply the political and news cycles of the day.

Governments should focus on what outcomes they are collectively achieving from their investments, rather than seeking credit for individual funding announcements. This requires leadership and a commitment to greater collaboration between governments to achieve shared outcomes. The ethos of those running the system should be a local focus, learning by doing, and collaboration with providers and communities.

1 Why coordination of funding for children and family services matters

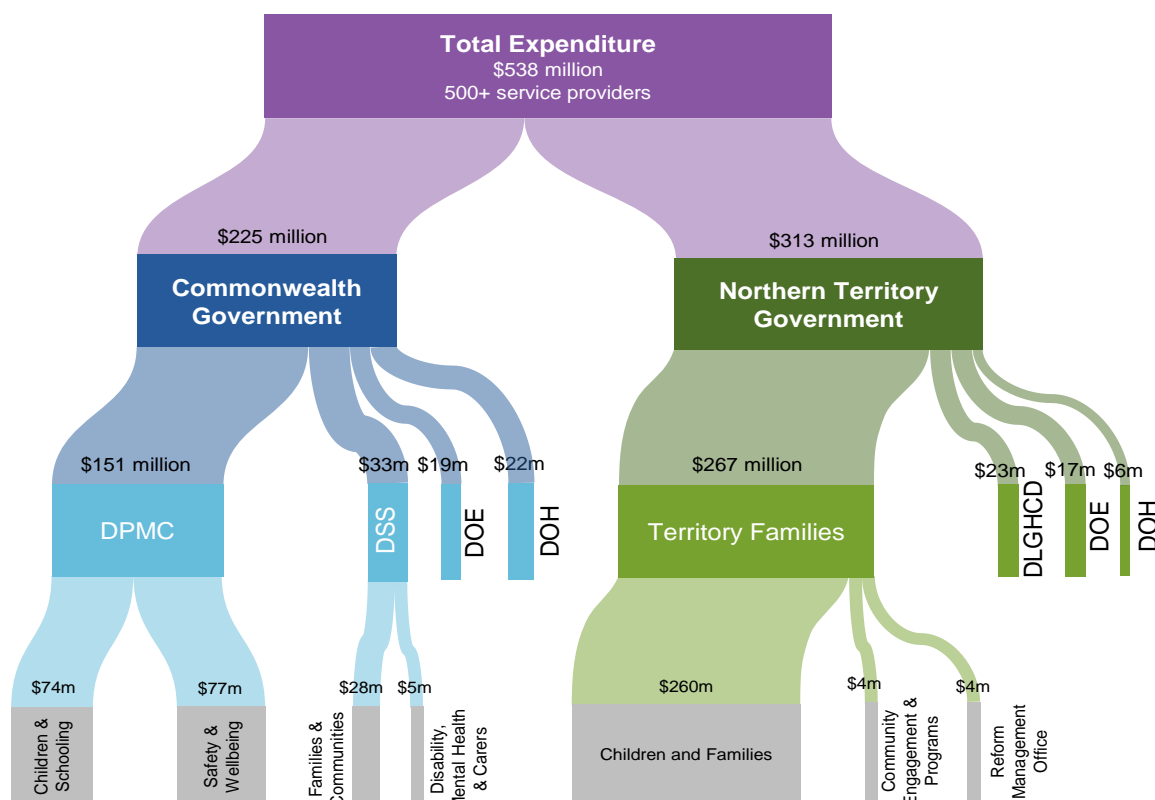
There are unique challenges associated with the provision of children and family services in the Northern Territory. Compared with other Australian jurisdictions, families and children in the Northern Territory face higher rates of disadvantage, with about 27 per cent of children living in areas with high levels of socioeconomic disadvantage. The risk of harm to children is exacerbated by a higher prevalence of other risk factors including: living in households facing poverty, unemployment or overcrowding; mental health issues; substance abuse; and family violence. Together, these factors have contributed to poorer outcomes for children in the Northern Territory, including higher rates of abuse and neglect. There is opportunity to enhance the protective factors and strengths of communities to improve children's wellbeing.

The recommendations in this report are intended to apply to all children in the Northern Territory. But they take account of the experience of Aboriginal children in particular (who comprise 42 per cent of the 63 000 children living in the Northern Territory) that is shaped by a unique set of cultural and historical factors. The Royal Commission noted that intergenerational trauma stemming from the results of colonisation is a key factor driving the overrepresentation of Aboriginal children and young people in out-of-home care and youth detention in the Northern Territory. This means that the need for flexible and culturally capable services — that deal with issues of intergenerational trauma and reflect the specific needs, strengths and aspirations of Aboriginal communities — is particularly acute. But it also presents opportunities for governments to better work with Aboriginal families and communities when designing and delivering services — building on cultural strengths.

The system of services relevant to the prevention of harm to children is complex. The NT Government is responsible for the statutory child protection and youth justice systems (including out-of-home care and youth detention). And both governments are responsible for a wide range of other services relevant to the prevention of harm to children, including services such as parenting programs, health, early education, and youth engagement, which are funded by multiple government departments. We estimate that, in the financial year 2018-19, the Commonwealth and NT Governments spent about \$538 million on services directly relevant to the prevention of harm to children in the Northern Territory, across at least nine government departments and at least 500 different service providers (figure 1).

The majority of funding from the Commonwealth Government comes through grants from the National Indigenous Australians Agency's (NIAA) (previously the Department of the Prime Minister and Cabinet) Indigenous Advancement Strategy, with a sizeable contribution also coming from the Department of Social Services' (DSS) Families and Communities Program. Territory Families is the largest funder of children and family services overall and a large share of this funding relates to its statutory child protection responsibilities (such as child protection investigations and out-of-home care).

Figure 1 **Expenditure flows for children and family services in the Northern Territory, 2018-19**



Source: Productivity Commission estimates based on departmental data.

Given the number of entities involved, it is essential that the provision of services is well coordinated and that funding supports the delivery of flexible and culturally capable services. The Royal Commission recommended the adoption of a ‘new public health approach’, funding the right mix of universal, early intervention, and statutory interventions to reduce the risk of harm to children, with these services working together, rather than in isolation.

The current situation is far from this ideal. Funding decisions are typically made in silos, by government departments that are largely unaware of what others are funding or what services are being delivered on the ground. There are significant gaps in expenditure data, and the disparate data that is available is not being harnessed to build a holistic understanding of how children, families and communities are faring. In many cases, governments are relying on service providers to understand local needs and to engage with communities. Overall, the current approach — regardless of the strengths of individual funding agencies and programs — has resulted in a fragmented system that is failing to best address the needs of children and families. And ultimately, it is not facilitating accountability for whether governments are collectively succeeding or failing to achieve their shared objective — to keep children and young people safe and well.

2 A siloed and fragmented service system

During this study, we heard from many highly dedicated people trying to make a difference to the lives of children and families in the Northern Territory. But they are often working with limited information, and within a fragmented and largely supply-driven system of children and family services in the Northern Territory.

There is evidence of duplicated effort in funding services and cases of multiple providers delivering similar types of services in the same areas. At the same time, there is concern from stakeholders about gaps in services (unmet needs) in many areas. Investment from both the Commonwealth and NT Governments is inadequately targeted, made without a comprehensive assessment of the needs or priorities of communities, and decided without full knowledge of the other services already being provided in a community.

There is significant overlap in expenditure effort

There is significant overlap in the types of services being funded by different levels of government and their departments. In other words, at an aggregate level, the Commonwealth and NT Governments are often operating ‘in the same field’. As shown in table 1, most types of services are funded by both Governments, and there is particular overlap in:

- family violence services, such as crisis accommodation — notably, both levels of government fund the operation of safe houses and shelters
- crime, justice and legal services, such as youth diversion services
- community development services, such as services or events to promote leadership and community resilience
- sport and recreation services, such as youth engagement services.

These overlaps are exemplified by the Intensive Family Support Service (IFSS) (funded by DSS) and the Intensive Family Preservation Service (IFPS) (funded by Territory Families). Both IFSS and IFPS are provided to families in the Northern Territory. In some locations, such as in Katherine, both services are available, but there are some locations where neither program exists. For example, in the East Arnhem region there is no IFSS and only one IFPS program (in Nhulunbuy) which does not reach all communities in the region.

To understand the nature of this overlap better, we examined the types of services funded through different departments. Figure 2 maps expenditure by each department to the specific types of services that were provided in 2018-19. There is considerable overlap between agencies in terms of the services they fund — and some types of services, such as early childhood and family support services, were funded from as many as seven different sources. This reflects the observations of Child Friendly Alice, which noted that sometimes:

... one agency doesn't know another is involved, or if they do know another agency is involved the parties have not reached agreement on who does what and by what time ... An example of

this is Connected Beginnings funded by [the Commonwealth Department of Education] in key sites in the NT, including Alice Springs, DSS fund a range of similar services (such as Stronger places Stronger people, Communities for Children, Hippy, Intensive Family Support, similarly PMC fund services. [The NT Government] also fund related services ([Families as First Teachers], Child and Family Services).

There are instances where similar services are being funded by different agencies in the same areas. For example, in Umbakumba (on Groote Eylandt) there are several services targeting children aged 0 to 5 years, including: Families as First Teachers (NT Department of Education); Save the Children's early childhood program (Anindilyakwa Land Council); and the Crèche Centre (East Arnhem Regional Council). Funding of services from non-government sources (such as royalties and philanthropic donations) adds to the complexity of the service system. The Commonwealth Department of Education funded the Connected Beginnings program in Groote Eylandt to help integrate the range of early childhood, maternal health and family support services in the area.

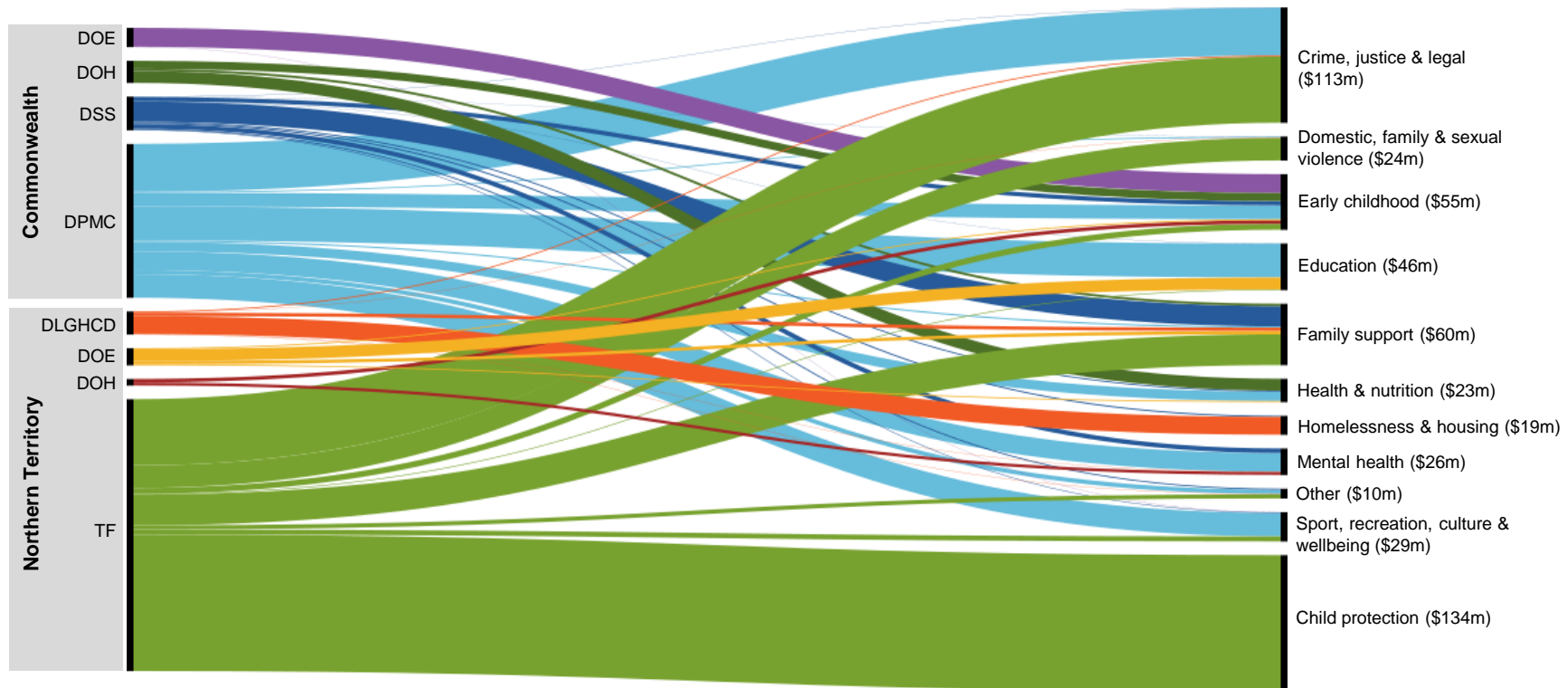
Participants to this study also drew attention to areas where there were service gaps in some locations, including: mental health supports for young people; parenting programs; access to safe houses; and youth justice services, including the provision of legal assistance, supported bail accommodation, rehabilitation and therapeutic programs.

Table 1 Number of grants by service type

<i>Service type</i>	<i>Commonwealth</i>	<i>NT</i>	<i>Total</i>
Child protection	-	142	142
Community development	13	61	74
Crime, justice and legal	51	28	79
Domestic, family and sexual violence	17	55	72
Early childhood	104	32	136
Education	54	27	81
Employment	5	4	9
Family support	42	33	75
Health and nutrition	66	3	69
Homelessness and housing	6	32	38
Mental health and substance misuse	36	50	86
Migrant services	6	3	9
Remote services	1	-	1
Sport, recreation, culture and wellbeing	67	242	309

Source: Productivity Commission estimates based on departmental data.

Figure 2 What types of children and family services do departments fund?



Source: Productivity Commission estimates based on departmental data.

Shared responsibilities are challenging but inevitable

The unclear and overlapping responsibilities and objectives of each level of government is one cause of the overlap and fragmentation in services. The Commonwealth plays a significantly more hands-on role in directly funding children and family services in the Northern Territory than it does in other jurisdictions (partly due to its role in Indigenous policy) — providing about 40 per cent of the expenditure on children and family services in the Northern Territory, all of which flows through grant programs.

Both governments share the same objective — that Australia’s children and young people are safe and well — as articulated in the *National Framework for Protecting Australia’s Children*, but it is not always clear how this is filtered down into actions in each of the main funding streams. Each government funds a plethora of activities — with the NT Government alone having more than a dozen strategic plans relevant to children and family outcomes — but often the relationships between them are not explicit, and they do not identify clear boundaries for who is responsible for what when it comes to related funding decisions. Responsibility for specific service areas and functions is spread across the two governments, with much overlap.

That said, a realignment of roles and responsibilities based on the principle of subsidiarity (where service delivery is, as far as practicable, delivered by the level of government closest to the people receiving those services) is likely to be contested and protracted. Such efforts also bring with them the risk of creating new funding silos and undermining cooperation if each government were less committed to shared outcomes as a result (or less committed to providing funding).

Significant improvements to service delivery can be made without trying to codify or substantially realign the responsibilities of each government. Although clearer roles and responsibilities would be desirable in the long term, efforts to achieve this now could prove counterproductive. In any case, a new process to coordinate funding decisions between governments (proposed later) is likely to result in clearer responsibilities evolving organically.

Inadequate coordination and integration arrangements

Shared roles and responsibilities for children and family services necessitate effective coordination and collaboration. But there is currently inadequate coordination between and within the Commonwealth and NT Governments, with each often unaware of what services the other is funding in each location, and of what is being delivered on the ground.

There appear to be no formal mechanisms for the NIAA and DSS to coordinate policy objectives or funding decisions. Although the NIAA has a well-established regional network, it is underutilised. The Australian National Audit Office found that the PM&C regional network (now NIAA) had inconsistent input into program development, with limited authority to make decisions. The expertise of regional network staff could be more

effectively used by NIAA central office, as well as by other Commonwealth agencies, such as DSS.

Coordination appears to be improving within the NT Government, with the establishment of a number of coordination forums, including the Children's Sub-Committee of Cabinet, and regional strategic coordination committees involving government representatives (which also include Commonwealth Government representation) and service providers in each of the NT Government's regions. We have little direct evidence of how successful these have been and most are in the early stages of development.

Coordination may further improve following the establishment in 2018 of the Children and Families Tripartite Forum (a body with formal representation from the Commonwealth and NT Governments and the community sector) to coordinate policy and funding decisions in the Northern Territory (discussed below).

In terms of coordinating service delivery, the NIAA, DSS and the NT Government have each established programs that aim to integrate services in specific communities. Often they involve an entity coordinating particular types of services (such as early childhood services). Other initiatives have been more bottom-up and relied on the goodwill of service providers and locally based government representatives. But these ad hoc place-based initiatives are mostly small scale and often overlap, with little ability to induce cooperation by other parts of government.

In some places, there are multiple efforts to integrate services on the ground. For example, in Alice Springs, several coordinating bodies for children and family services have been funded by governments, including Connected Beginnings (Commonwealth Department of Education), Larapinta Child and Family Centre (NT Department of Education), and Communities for Children (Department of Social Services). In an effort to bring about a more cohesive and coordinated system, the Child Friendly Alice initiative was created, which includes representatives from each of the above organisations.

Overall, in most cases, service providers are left with the difficult task of trying to provide integrated services that meet community needs. The coordination that does occur is typically informal and ad hoc (for example, providers co-locating or sharing referrals), and is strongly reliant on the personalities of staff. Reliance on such an approach in the absence of more formal mechanisms runs the risk that collaboration dissipates when key staff move on.

Services not rigorously targeted to needs or priorities

Understanding the level of need for children and family services in different communities provides an evidence base for directing limited funding and resources to the most effective services within a community. There are pockets of good-practice needs assessment in some cases, such as where funders draw on data and local consultation to identify vulnerable and at risk children and families to identify community needs. However, the current approach to assessing needs is siloed, conducted separately by the different funders on a

program-by-program or application-by-application basis. This is compounded by the lack of up-to-date data on the services each government is already funding in each location.

Overall, it is unclear how the merit of activities for one place are weighed against the merit of activities in another. There is a risk of inequitable funding flows driven by the capacity of service providers to apply for funding, rather than being driven by an assessment of the needs of communities or likely effectiveness of different services.

Stakeholders also raised concerns that genuine community input is limited, often relegated to how services will be delivered in a community after funders have decided what service to fund — an undeniably ‘top-down’ approach. There are exceptions, such as some place-based programs that rely on local organisations to identify services based on consultation with communities (known as facilitating partner models, with different versions funded by NIAA and DSS). But these programs often face small budgets that need to be stretched over wide areas. For example, in the Katherine region, the facilitating partner received \$1.3 million in 2018-19 to cover a population of 17 822, living in 21 communities in an area of 326 327 km² (larger than Victoria and Tasmania combined). And consultation may be limited in practice.

The result can be that necessary services do not exist in some places, or that the services that are funded are not tailored to the social, cultural or demographic contexts of the community. One example raised by participants was that parenting programs can be based on Western child rearing practices and not facilitated by Aboriginal people for Aboriginal people.

Funding services that have an evidence base derived in a national or mainstream context may also mean that communities’ needs and priorities are not met. Although some programs offer scope for providers to adapt programs to the local context, others are more rigid. For example, the Communities for Children program requires half of its funding to be directed to evidence-based activities, which involves selecting from a predetermined list of programs or submitting activities to the Australian Institute of Family Studies. This can be challenging given the sparse evidence for ‘what works’ for children and family services in the Northern Territory (and especially in remote Aboriginal communities).

The combination of these factors means that, overall, government funding decisions do not align with a place-based approach (targeting funding to the needs and priorities of each community) or a public health approach (investing in the most effective measures to prevent harm to children in the long term).

Both governments recognise the importance of consultation and engagement with communities to identify needs and design and deliver services that are culturally and place appropriate. All three of the major funders (NIAA, DSS and the NT Government) are implementing place-based or local decision making approaches in some communities. These are positive steps.

Short-term, inflexible approach to funding services

Compounding these issues is the short-term nature of contracting for children and family services. Grant contracts are generally short term (between two and four years), and focus on outputs rather than longer-term outcomes. This creates uncertainty for service providers and inhibits their ability to plan and invest. Of particular concern for providers are:

- short-term staff contracts leading to high staff turnover, which can impede continuity of care for children and families with complex needs. Staffing issues are particularly pertinent in servicing remote parts of the Northern Territory, where local labour markets are thin and it is difficult to attract skilled workers
- inability for long-term planning (including investments in organisational and workforce development) and collaboration with other local providers. This works against the achievement of an integrated public health approach to children and families
- the administrative costs of providers having to spend significant time cobbling together funding from different sources. These costs shift resources away from service delivery and are particularly difficult to justify when funding is rolled over each time. As an example, the North Australian Aboriginal Justice Agency, received funding in 2018-19 from 11 different grants from the same department (with a total value of \$6.5 million), all for the provision of legal services in the Northern Territory
- funding that does not adequately meet the full costs of service delivery, including capital costs (such as staff housing, vehicle, and building expenses) which can be critical for services to be able to be delivered, particularly in remote communities. Long-term costs cannot be funded from short-term grants. For example, youth services could not be consistently provided in the remote community of Utopia until staff housing was built for someone to run these programs. Other costs that are often overlooked are capacity building, and funding for monitoring and evaluation that funders expect of providers.

Funding uncertainty is compounded by funders providing insufficient information at each stage of the contracting process, especially short application timeframes and limited advance warning of renewal or discontinuation of funding. This inhibits effective design of services and providers' ability to plan beyond the existing contract.

Concerns were also raised about competitive funding processes that place a disproportionate weight on the financial costs of services, over other less tangible benefits, such as cultural capability. This can mean that contracts are awarded to providers who can deliver outputs at least cost, even though another (higher cost) provider may be more capable of delivering better longer-term outcomes. We heard of a case where an Aboriginal organisation was excluded from a tender process for the delivery of Targeted Family Preservation Services as it submitted an application for funding with a cost that was above an undisclosed price threshold. The provider considered the additional cost of qualified personnel necessary to effectively provide the service. Governments more recently are focusing on how they can better engage local service providers to promote local and culturally appropriate service delivery.

3 A better approach to funding children and family services

A new approach is needed for funding children and family services in the Northern Territory. Governments need to move away from the top-down, siloed and fragmented approach to funding and delivering services and towards a system that targets funding to the needs and priorities of children, families and communities. To effectively address the complexities faced by children and families in the Northern Territory, communities must be part of the design, delivery and evaluation of the programs and services that affect them.

We are recommending reforms across the commissioning cycle, from the way decisions are made about what services are funded; how these services are designed; how service providers are funded and managed; and how the outcomes of government investment are tracked, evaluated and publicly reported (table 2). A theme that underpins our suite of recommendations is that keeping children safe and well is a shared responsibility — of families, communities, and governments — and that in order to improve outcomes, a more collaborative approach is needed. Our draft recommendations are intended to apply to all children and families in the Northern Territory. The reforms cover four priority areas.

1. *A cooperative approach to funding, underpinned by community plans* — the Commonwealth and NT Governments need to agree on a new way of working together. The new approach should include governments genuinely engaging with communities, to come to a shared understanding of the issues their children and families face, and to jointly commit to solutions, with collective ownership of outcomes. To put this new way of working into practice, a formal process to agree on funding for children and family services should be established. This process should be underpinned by better community-level data and community plans that identify service needs and priorities.
2. *A longer-term, collaborative approach to contracting service providers* — all relevant funders of children and family services in the Northern Territory should transition to longer-term funding contracts with service providers (a minimum of 7 years), and adopt a relational approach to managing contracts. This means working collaboratively with providers (in consultation with communities), focusing on outcomes, funding capital expenditures, and building the capacity of Aboriginal organisations to deliver services.
3. *Better data at the community level* — there is a need for the Commonwealth and NT Governments to improve their data collection, and to measure and publicly report on progress against wellbeing outcomes for children and families at the community level. This should be supported by monitoring and evaluation that uses community-level data and that facilitates learning-by-doing and continuous improvement in services.
4. *Stronger supporting institutions* — stronger institutions will be needed to support the above reform areas, including strengthening the role of the Children and Families Tripartite Forum (to provide advice to governments on coordinated funding decisions), and a stronger role for regional staff to lead the development of community plans and to undertake relational contracting.

Table 2 Draft recommendations

<i>Problems</i>	<i>Causes</i>	<i>Draft recommendations</i>
Reform area 1: Coordinated funding underpinned by community plans		
Services are fragmented across places and providers, and collectively fail to meet the needs and priorities of children, families and communities. Communities have little say over what gets funded	<ul style="list-style-type: none"> • Lack of comprehensive assessment and identification of needs and priorities to inform funding decisions — governments not taking a place-based approach • Services imposed in a 'top-down' or supplier driven way, often with little community engagement in the planning, design and delivery of services • Inadequate coordination of funding decisions across government 	<ul style="list-style-type: none"> • Development of community plans, driven by Commonwealth and NT Governments and in collaboration with each community to identify and prioritise areas of need (rec 6.1) • Governments only fund services consistent with community plans (rec. 6.1) • As above, and community engagement during service delivery to build the evidence base and enable continuous improvement (rec. 8.1) • A new process for better coordinating funding between governments (rec. 6.1)
Lack of coordination on funding priorities between Commonwealth and NT Governments	<ul style="list-style-type: none"> • Overlapping and unclear roles of governments • Unclear links between policy objectives/outcomes/actions • Lack of data sharing and needs assessments 	<ul style="list-style-type: none"> • Governments to work together (with advice from the Tripartite Forum) to share information and coordinate funding, and to pool funds in selected areas (rec. 6.1) (supported by a joint funding framework between the Commonwealth and NT Governments (rec. 9.1))
Reform area 2: Longer-term, more collaborative contracting of service providers		
Funding uncertainty for service providers inhibits planning, staff retention, and development of relationships with users	<ul style="list-style-type: none"> • Short grant funding periods (on average, 2–4 years) • Insufficient notice of when grants will be renewed or ceased 	<ul style="list-style-type: none"> • Transition to longer-term funding (7+ years) using a more flexible, relational approach to contracting, which focuses on continuous improvement rather than short-term service outputs (rec 7.1, 7.3) • Rolling schedule of funding opportunities, with sufficient time for providers to apply and design appropriate services (rec 7.2)
Funding does not cover full costs of services, resulting in providers having to cobble funding together and manage multiple grants	<ul style="list-style-type: none"> • Individual grants often do not provide sufficient funding for full service provision due to: <ul style="list-style-type: none"> - restrictions on what funding can be used for (for instance, funding does not take full account of capital costs) - failure to account for higher costs in remote areas 	<ul style="list-style-type: none"> • Funding contracts should take account of the full costs of service provision (rec. 7.1)
Competitive funding processes can disadvantage smaller local, Aboriginal organisations and discourage collaboration	<ul style="list-style-type: none"> • Disproportionate focus on short-term costs over long-term benefits • Community-based service providers have limited resources to compete against larger, non-Aboriginal NGOs 	<ul style="list-style-type: none"> • Greater focus on provider characteristics in funding decisions, and grant agreements to incorporate requirements (where appropriate) and funding for partnerships with local Aboriginal organisations (rec 7.5)

(continued next page)

Table 2

(continued)

<i>Problems</i>	<i>Causes</i>	<i>Draft recommendations</i>
Reform area 3: Better and more transparent data at the community level		
The funding landscape for children and family services is opaque, making it difficult to assess current services	<ul style="list-style-type: none"> Challenges with data availability, including: <ul style="list-style-type: none"> inconsistent location data, which is not linked to specific towns or communities inconsistent categorising of activities across departments 	<ul style="list-style-type: none"> Develop a common method for: <ul style="list-style-type: none"> reporting location data (rec. 3.1) describing and categorising children and family services (rec 3.1) Create and maintain a single public services list (rec 3.2)
Lack of oversight of how community outcomes are changing over time, or how service delivery is contributing to these outcomes	<ul style="list-style-type: none"> Limited data are available on children and family outcomes by location on a consistent basis The contribution of services to outcomes is not rigorously tracked 	<ul style="list-style-type: none"> Collect and report outcome measures for children and families at a community level (rec 6.3)
Performance reporting imposes burdens on service providers for limited visible benefit	<ul style="list-style-type: none"> Multiple funders means multiple reporting requirements Data is requested frequently and does not seem to be effectively used by agencies or fed back into agency-level performance reporting on outcomes 	<ul style="list-style-type: none"> Streamline reporting requirements across agencies and design reporting to inform and facilitate continuous improvement (info request 8.1) Accountability generated through relational contracting (rec. 7.3)
Limited evidence of 'what works' for children and family services/activities in a Northern Territory and remote/Indigenous context	<ul style="list-style-type: none"> Scope for continuous improvement constrained by prescriptive contracts and inadequate data collection Limited use of evaluations Cost of evaluation often borne by service providers with limited resources or capacity to undertake or commission evaluations 	<ul style="list-style-type: none"> Adopt a continuous-improvement approach to monitoring and evaluation. <ul style="list-style-type: none"> embed monitoring and evaluation in funding contracts (including funding for surveys) (rec 8.1) government funders to prioritise more formal evaluations based on levels of risk and expenditure and where there have been no significant policy changes in communities (rec 8.1)
Reform area 4. Stronger supporting institutions		
Poor coordination of government funding decisions	<ul style="list-style-type: none"> Existing institutional structures are nascent, underutilised or patchy 	<ul style="list-style-type: none"> Expanded role for regional networks to lead development of community plans and undertake relational contracting (rec 7.4) Role of Tripartite Forum to be expanded to provide advice to governments on funding allocation and funds pooling (rec 6.2)
Concerns about lack of progress and commitment to reforms by government	<ul style="list-style-type: none"> Lack of transparency and accountability for reforms 	<ul style="list-style-type: none"> NT Children's Commissioner to monitor and publicly report on progress of reforms (rec 9.2)

Reform area 1. Coordinated funding underpinned by community plans

A formal process is needed to coordinate the funding of children and family services by the Commonwealth and NT Governments. Although a formal coordination process could take

many forms, best results will be achieved when both governments share detailed data, agree on what types of services they will each fund and in which locations, and agree to pool funds in specific policy areas and/or locations where there is already a high degree of overlap in funding activity — with scope to increase the extent of pooling over time.

The Commission is proposing a process that the Commonwealth and NT Governments should use to reach agreement on funding children and family services. The process involves four key steps (figure 3).

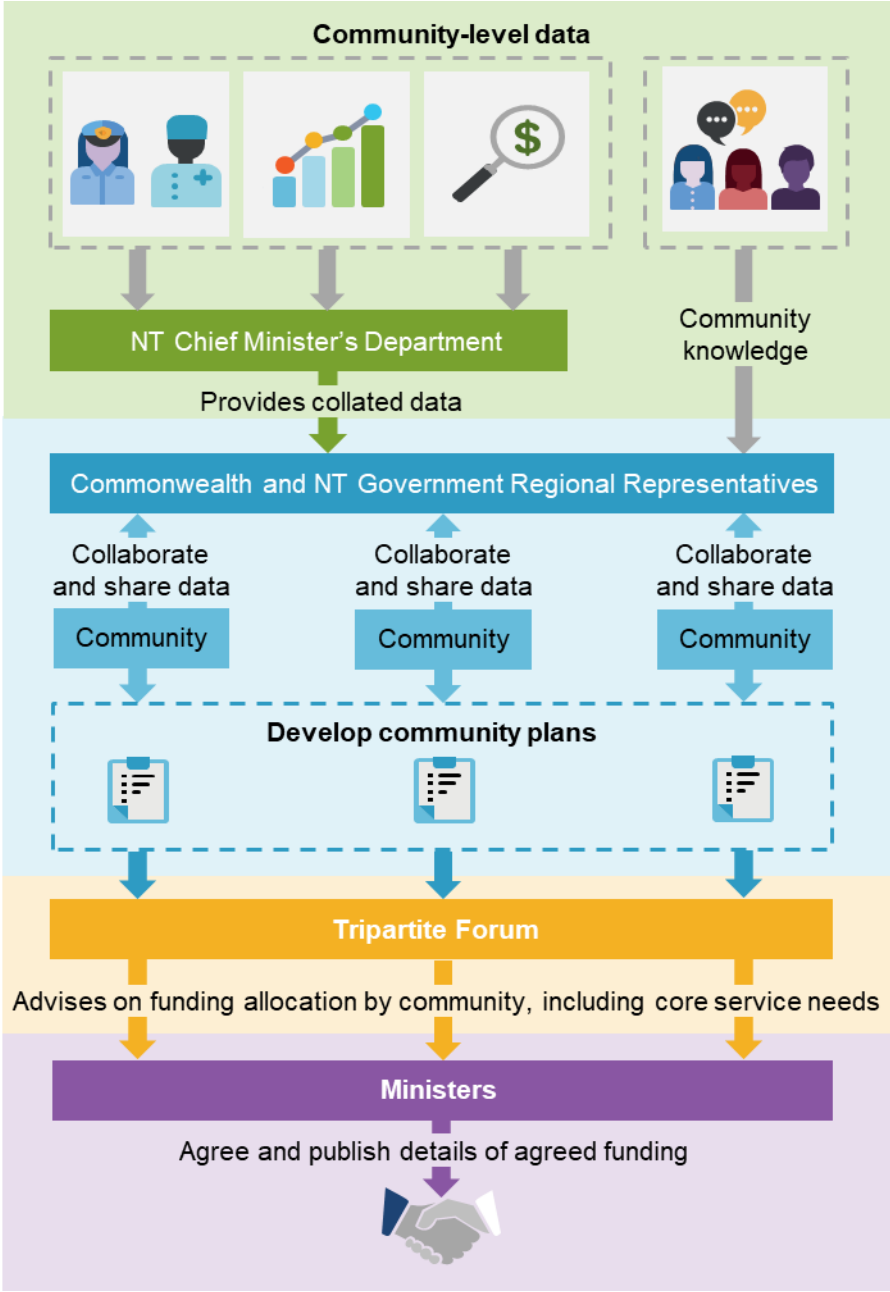
- Collating available community-level data on services, outcomes (risk and protective factors) and current expenditure on children and family services in each community, to supplement community knowledge and understanding.
- Sharing and discussing the data with community members, and working with communities to develop a community plan that provides a snapshot of the strengths and needs of children and families in the community and gives the community a voice about which children and family services they would like to retain, change or replace.
- The Children and Families Tripartite Forum drawing on the community plans to provide advice about funding arrangements for children and family services across the Northern Territory, including advice about funds pooling for particular locations or services.
- The relevant Commonwealth and NT Government Ministers considering the community plans and advice of the Tripartite Forum, agreeing on which children and family services each is going to fund and in which locations (including pooled funding arrangements), and publishing details of the agreed funding.

This process should be repeated as frequently as necessary to guide coordinated funding decisions. This may be annually at first, as existing short-term contracts end and new data gradually becomes available. In the longer term, less frequent updates may be appropriate.

Sharing data with the community and developing the community plans

As the community plans are intended to guide funding decisions, governments will need to drive the process of developing them by compiling and disseminating the necessary data. Access to data is vital in empowering communities, service providers and governments to make good decisions. Relevant data (including on risk and protective factors relevant to child harm and wellbeing) should be provided to regional network staff (from the NIAA and NT Government) and to the community, so that the data can be discussed and validated by local knowledge and compared over time (box 1).

Figure 3 **A process for the Commonwealth and NT Governments to agree on funding for children and family services**



Box 1 **What information would feed into community plans?**

Baseline data and community knowledge on risk and protective factors for child safety and wellbeing at a community level, including:

- any data on community strengths and protective factors, such as average levels of social and emotional development
- socio-economic data, such as income, employment status and number of people per bedroom
- rates of crime and domestic violence
- child protection notification and substantiation rates, and any data on prevalence of child harm
- health, education and disability data, such as the number of children with a learning disability, hearing loss, rheumatic heart disease and educational attainment and attendance
- Australian Early Development Census results, including physical health and wellbeing, social competence, emotional maturity, language and cognitive skills.

Existing services and assets, including information on what services are currently being delivered and the extent to which current services are under or oversubscribed (based on usage/access rates). This can be supported by data from a service list. Existing services could also be mapped against a core services framework — a defined minimum set of children and family services that would ideally be provided (or accessible) to every community.

Desired outcomes and prioritised needs of the community, as articulated by community members and local governance bodies. These can build on existing strengths in the community — for example, a community with strong cultural ties might prioritise initiatives that help children to engage with their culture over behavioural interventions in schools. The aim would be to identify priority service areas that could then inform funding decisions. But this does not necessarily require the identification of specific services. It may be that communities identify priority areas (such as support for youth mental health) with the nature of the service/activity to be determined later. In making decisions, local communities would be given access to data and information both about their own community and the range of services that may be available.

Regional network staff from the NIAA and NT Government, in collaboration with the community, would then develop a community plan that provides a snapshot of the strengths and needs of children and families in the community, and the priority services the community would like to retain, change or replace. There needs to be genuine engagement with community members at all stages of this process. There may be variation in the capacity and willingness of local people to get involved in the process, which should also be open to different approaches.

It is incumbent on governments to get the process started and they should begin negotiations with whichever community members want to be involved. In order to be valuable in guiding governments' funding decisions, engagement with communities needs to accurately reflect the situation and priorities of each community, taking into account the social, cultural and economic ties that exist across populations (box 2).

Box 2 **What constitutes a community?**

Community plans should be developed to cover all children and families within the Northern Territory. And although it would be tempting to say that each town or settlement should have its own plan, this may be unworkable and inefficient, particularly if sufficiently granular data are not available. Instead, if existing social and cultural networks (and population movements) span a broader geographic area, or if services can be more effectively provided across a wider area, then this may define a community. Existing towns and settlements should have a say in how they are defined and carved up in the process, but a starting point could be to use existing boundaries (such as the 63 local authorities, the regions used for the 17 Children and Family Centres that are being established in the Northern Territory, or the 26 service areas used by the NT Aboriginal Health Forum). There may also be scope to build on existing planning processes (such as the Barkly Regional Deal, and areas subject to local decision making agreements).

Using community boundaries that are already defined would have the benefit of allowing the community planning process to start more quickly. The Commission's preferred option would be to start the community planning process based on the existing boundaries of the 63 local authorities. In practice, it is likely that there would be fewer than 63 community plans, as some local authorities would consider themselves part of the same community and so may wish to work together on their plans for children and family services.

The overriding imperative of the community plans is not to develop comprehensive community profiles or to achieve unanimity about which services should be provided, but rather to start moving through the steps and developing the plans using whatever data and information are currently available. In the first instance, these data will be incomplete, with a range of known gaps and deficiencies. But initiating conversations about communities' needs and values and reflecting those conversations in plans that can be used to guide governments' funding decisions should not wait for 'perfect' information.

The plans should cover all children and family services, but could eventually be broadened to cover other community needs (such as housing or health services, as these are inextricably linked to the protection and wellbeing of children and families). The plans would not be used to formally coordinate funding for these broader needs (at least not initially), given the separate funding mechanisms that already exist for these service areas. That said, including broader needs in the plans could provide an opportunity to inform these other areas of funding decisions and encourage governments to think more holistically about how they provide services, especially in remote areas.

Government agreement on what to fund from the community plans

To coordinate funding of the priorities identified in community plans, the Commonwealth and NT Governments should establish a formal process of 'agreed funding with selected funds pooling'. In this model, the governments would first need to agree on what types of services they will each fund, and in which locations, drawing on the available data and community plans (as they become available) and would need to agree on this before funding decisions are made (supplemented by much greater data sharing on what each government

is already funding). Existing funding programs (such as the NIAA's Indigenous Advancement Strategy or DSS' Families and Communities Program) could largely be kept in place initially.

The governments should then seek to move towards pooled funding for selected service areas and/or locations, such as services where responsibilities and funding are currently very fragmented or unclear (for example, family support services). Pooling has the advantage of allowing service providers to obtain one grant for a particular service rather than cobbling together multiple grants, with all of the compliance and administrative burdens that creates.

Funding decisions would be supported by the advice of the Children and Families Tripartite Forum — the advice of the forum would focus on the distribution of expenditure and needs across the Northern Territory (and opportunities for pooling) based on the suite of community plans. Relevant Commonwealth and NT Government Ministers are ultimately responsible for funding decisions based on the advice of the Forum and the community plans, and under our proposal, should publish details of their agreed funding decisions for each community. This process should be formalised in a joint funding framework (an intergovernmental agreement) which was recommended by the Royal Commission recommended, and which our study is intended to inform (as noted in our terms of reference).

The process could start with a staged approach with small scale funds pooling in a few areas to better understand the practicalities, risks and challenges that pooling would give rise to. Subject to this being successful, governments could then move over time to greater use of pooling — something more akin to full funds pooling, with significantly greater local control of funding, delivery (if desired) and monitoring of services.

Local control of some services is an end in its own right and the NT Government has embarked on a process of developing local-decision making agreements with communities (agreements have already been signed with a number of local bodies, including on Groote Eylandt and in the Yolŋu region of East Arnhem). This involves giving communities the authority to decide which services they will receive, and how these services will be delivered (although this does not necessarily mean delivery of services by a local entity). It can range from a community organisation guiding governments on how to provide a single service, right up to the community having its own pool of funding to spend in line with its priorities.

Not all communities are in the position to move to local decision making immediately, but in the long term it can be facilitated by both the Commonwealth and NT Governments pooling funds for specific communities. Governments will need to invest in building the capacity of local organisations and governance structures, including by providing funding and training. They will also need to grapple with complex questions of who represents a community. These issues do not have easy answers, and governments should assist communities in finding their own solutions.

Reform area 2. Longer-term, more collaborative contracting

A fundamental shift is required in how governments contract and fund providers of children and family services, transitioning away from short-term, transactional and output-based funding, to longer-term relational and outcomes-focused funding, where governments and service providers work collaboratively to improve service delivery outcomes. We are recommending several reforms along these lines.

- *Default contract terms of a minimum seven years*, with exceptions made for instances where shorter-term contracts would be more appropriate, such as program trials. There are some risks that will need to be managed as longer-term contracts could entrench ineffective providers in a community and act as a barrier to the entrance of new providers. Contracts should contain safeguards to allow governments to remove providers in cases where they fail to deliver an adequate standard of service despite ongoing support from government to rectify issues.
- *Funding the full costs of service delivery*, where funding takes into account the higher costs of service delivery in remote areas and other functions that support service outcomes (such as capital and infrastructure, and reporting and evaluation).
- *Funding and contracting to support capacity building* of Aboriginal organisations, where they are expected to be better placed to provide services and improve outcomes for Aboriginal communities. Partnership approaches between Aboriginal organisations and non-Aboriginal service providers should be supported by funding arrangements that include a clear succession plan and appropriate resourcing and incentives for skills transfer and capacity building over the life of the contract.

The adoption of longer-term funding arrangements will require more flexibility. Not all actions taken by a service provider can be stipulated in binding contracts, especially when dealing with complex social and cultural issues. The outcomes that matter — child safety and wellbeing — are also influenced by a range of factors outside the direct control of an individual service provider.

Governments therefore need to take a more ‘relational’ approach to contracting (figure 4). This involves open collaboration between purchaser (government), provider, and client (families and communities), jointly assessing progress and service outcomes to identify opportunities to improve performance and align effort with emerging priorities of children and families. Governments will need to relinquish some control over how services are delivered — resisting the urge to manage from Canberra or Darwin — and trust local staff and service providers to find the most appropriate ways to meet the needs of children and families in each community.

Figure 4 A classical versus relational approach to contracting

Characteristics	Classical	Relational
	<ul style="list-style-type: none"> • The nature of the transaction can be specified in advance • Contract has rigid terms • Discrete and short transactions (short-term contracts) • Output is easy to monitor • Contracts are more formal/legally enforceable • Risk can be defined ex ante • Less risk sharing between contracting parties • Auditing the service provider is for control • High initial transaction costs from negotiation 	<ul style="list-style-type: none"> • Difficult to detail transaction in advance • Contract has flexible terms • Continuing transactions (long-term contracts) • Output is difficult to monitor • Contracts are less formal/likely to rely on self-enforcing mechanisms • Risks cannot be defined ex ante • More risk sharing between contracting parties • Auditing the service provider is for strategic planning • Low initial transaction costs from negotiation
Environment	Classical	Relational
	<ul style="list-style-type: none"> • Urban setting • Purchaser requires the delivery of a discrete service • Competitive market among providers • Relationship between contracting parties is not essential for effective service delivery 	<ul style="list-style-type: none"> • Remote setting • Purchaser requires the delivery of a wide range of services • Competitive market does not exist among providers • Relationship between contracting parties is essential for effective delivery

For example, a provider of a Territory Families-funded youth diversion service in Yirrkala could meet with officials from the Territory Families' East Arnhem regional network office regularly (say monthly, with the option for more regular meetings as required such as in the start-up phase) to discuss performance against service outcomes and identify key issues with delivery — informed by consultation with users of their service. Collectively, they can identify and resolve issues, in collaboration with regional managers or national offices if material funding changes are required.

In a relational contracting framework, future funding provides the incentives for good performance. The funder remains sufficiently informed of the realities on the ground to ascertain whether or not the provider is doing an adequate job. The provider expects that their funding will be renewed if their performance is adequate, and that they may receive expanded funding for a wider range of programs if their performance was very good.

Adopting this approach consistently across all programs and services would be resource intensive. Therefore, the level of interaction between all parties to a contract will need to be

fit for purpose. Relational contracting is best suited to funding arrangements that involve high levels of dependency between governments and providers (including where there is lack of competition) and complexity of service outcomes (and thus where a collective approach to managing risk will produce a better outcome) — each of these factors exist for children and family services, particularly in remote areas.

Reform area 3. Better, more transparent data at the community level

When used well, data can support powerful changes in communities. Governments need to make better use of data to systematically plan services and allocate funding based on needs. More transparent data on services and outcomes at the community level is needed to support the development of community plans (box 1). It is also needed for tracking and evaluating the impact of government expenditure on children and family services.

Improving information about expenditure and services in each community

In order to complete the community plans, governments will need to improve record keeping about where and what services are provided. In undertaking the expenditure stocktake for this study, we found data about what services have been funded to be particularly poor. It was not possible to accurately identify how much money was being spent in specific locations, or the services that were being provided there. We also heard that families are often unaware of the services available in their local community — meaning that such information is not necessarily a matter of ‘local knowledge’.

Commonwealth and NT Government departments need to improve and harmonise the way they record information about the services they fund. In particular, they should adopt a common geographical unit for reporting where funded services are provided, and a common method for categorising the types of services they fund. This improved expenditure data could then be leveraged to identify what types of services are available in a particular town or community. The NT Government should use this data to develop a single and cohesive public children and family services list. This list (which would also require input from services providers) should include details about: the service; the provider; when the service is available (hours of operation); and how the service can be accessed (including costs of attending). At a minimum, it should cover NT and Commonwealth funded services and ideally cover all services (such as those funded by royalties or philanthropic sources).

Community level tracking of outcomes and evaluation of services

Monitoring and evaluation of children and family services is essential for tracking progress against outcomes and for facilitating continuous improvement in the design and delivery of services. It is also necessary for ensuring that governments and service providers are accountable to the community for how they use public resources. But such work is difficult,

and the context of children and family services in the Northern Territory presents significant challenges.

There is some reporting of outcomes for children and families in the Northern Territory (for example Territory Families reports against various indicators in the *National Framework for Protecting Australia's Children*), and the NT Government is developing the 'Story of our Children and Young People' which will report indicators of child wellbeing (but only at the Territory or regional level).

Lack of community-level data on the risk and protective factors relevant to child harm (including child protection data and other key health and crime indicators) makes it difficult (if not impossible) to identify in which communities children and families are in need of support. This same type of data is also needed for understanding whether outcomes are improving over time. The Commonwealth and NT Government should collect and publicly report measures of outcomes for children and families at the community level (ideally in line with the boundaries used for community planning) subject to data and privacy constraints. This is the first step to understanding the collective impact of children and family services on outcomes.

Community level tracking and reporting of outcomes should be supported by evaluation. But it is not practical or feasible to formally evaluate all children and family services or activities. Moreover, 'gold standard' program evaluations (such as use of randomised controlled trials) are in many cases not informative for children and family services in the Northern Territory. Where they are undertaken, the results should be interpreted carefully — precise impacts of the magnitude of impact cannot be estimated and findings may not be transferable or replicable in other communities. This is due to the multifaceted factors that influence outcomes, the multiple programs simultaneously directed at improving outcomes, and the rapid changes that can occur in policy and in the services being delivered.

A more practical and effective use of evaluations of children and family services is when they facilitate learning by doing and improvements in services over time. This requires monitoring and evaluation to be embedded into funding and contracting from the start, rather than as a separate process. A continuous improvement approach to evaluation would involve the collection of basic input, output and outcome metrics (such as which services are being used, how often, and users' experience with the service). These can be supported by provider-level monitoring and relational contracting.

Grant funding should include funding to run periodic surveys (potentially more than one if the contract length is more than five years) to seek community views about the functioning of the program and how it could be improved. In collaboration with local funding agency staff (as part of the relational contracting approach described above), the provider could then propose and trial any modifications to the service. As programs and services evolve through this process they would become tailored to the specific circumstances of a community.

A continuous improvement approach to evaluation can help to identify services or programs that could undergo more formal evaluations by funding agencies, particularly where there

may be scope for the service to be rolled out to other communities. Funding agencies should also draw on the findings of evaluations undertaken at the service (and community) levels to evaluate their broader funding programs and policies.

Reform area 4. Stronger supporting institutions

Stronger institutions will be needed to support the above reforms. As mentioned, governments should coordinate their funding, informed by advice of the Children and Families Tripartite Forum on funding allocations, including advice about funds pooling for particular locations or services. To support this, the Commonwealth and NT Governments should expand the terms of reference for the Forum to perform this new function.

There is also a case for strengthening institutional arrangements at a regional level to improve the planning and coordination of government services. As noted earlier, the NT Government is setting up coordination committees in each of its regions, which bring together representatives across the NT Government (including police, housing and child protection), the NIAA regional representatives, and local service providers. These entities are already up and running in some regions, such as East Arnhem.

There should be an expectation that regional representatives of both governments work together through these committees. The regional coordination committees should also take the lead in developing community plans in partnership with communities. Doing this work on a regional level would support consistency across communities with similar populations and conditions. Regional entities should also facilitate data sharing between government agencies, service providers and communities. Ensuring that regional staff have the skills, capacity and authority to fulfil these roles will be essential to the success of the coordination process. This will also require cultural change within government, so that local expertise is more highly valued.

4 Implementing the reforms

There is a significant amount of resources, motivation, and goodwill directed to children and family services in the Northern Territory, and many signs of change. Following the Royal Commission, the NT Government announced a \$230 million reform package — called *Safe, Thriving and Connected: Generational Change for Children and Families* — to implement the recommendations over a five-year period. This included a raft of changes to the youth justice system and a commitment to establish 11 new Child and Family Centres. Around the same time, the NT Government introduced a new Local Decision Making policy, which would see the transfer of the delivery of some government services to Aboriginal communities over a 10-year period. Agreements have been signed with several communities and work is underway on planning some of the new Child and Family Centres.

Changes are also underway within the Commonwealth. In mid-2019, Indigenous policy was transferred from the Department of the Prime Minister and Cabinet to a new National Indigenous Australians Agency, a move the relevant Minister said ‘represented a fundamental change in the way of doing business with Indigenous Australians’.

And both governments worked together to establish the Children and Families Tripartite Forum and have started discussing what a Commonwealth-NT Government coordinated funding framework might look like.

These moves are promising and there is momentum now to build on the reform efforts. But there is no question that the implementation task is hard. Child protection and Indigenous policy are both notorious for being ‘wicked’ policy problems — marked by complexity, uncertainty, and divergent values. In the Northern Territory, both policy areas overlap to a large extent.

There will undoubtedly be challenges implementing the reforms outlined in this draft report. Some of the challenges that will arise relate to:

- practical constraints — moving to longer and different forms of contracting while existing contractual arrangements are in place for several years, and maintaining continuity of services so as not to disrupt support for children and families
- responding to workforce issues, including shortages of skilled staff, especially in remote areas and where it can take considerable time for local people to be trained
- organisational culture (including the willingness of key players to collaborate and relinquish some control to local staff) and structural constraints arising from cross-jurisdictional differences.

These are complex but surmountable challenges, particularly if tackled incrementally, starting with more transparency and better coordination between governments on what they are funding and how they commission and work with service providers. Improvements in these areas are the predominant focus of our draft report’s recommendations. And importantly, our proposals are about better use of existing funding, rather than changes in the overall level of funding. Both governments have shown a willingness to contribute significant funds to children and family services in the Northern Territory, as is clearly evident from our stocktake.

In developing the draft recommendations, the Commission has been mindful of the history of reforms to children and family services in the Northern Territory, and of how these reforms have affected families and communities. We have sought to build on existing institutional arrangements and, where possible, complement reform efforts already underway. Our proposed coordinated funding option (draft recommendation 6.1) can be implemented without the need for a fundamental realignment of responsibilities of each government. And several of our proposals draw on existing organisational architecture, including the Children and Families Tripartite Forum and each governments’ regional

network (draft recommendations 6.1, 6.2, 7.3 and 7.4). Our draft recommendations are also compatible with, and support, the NT Government's Local Decision Making policy.

Unfortunately, there is a sense that many attempts to reform how governments deliver human services have been abandoned before their impacts on outcomes were known. Research undertaken for the recent review of the Australian Public Service identified a tendency for successive governments to replace the programs of their predecessors — even when the initiatives are showing signs of promise — and a reluctance on the part of politicians and public servants to learn from doing, for fear of the adverse public impact of failure. Why this is so is one of the great intractable problems of public policy. Failure occurs at a system level, in spite of the many skilled and motivated people within government. The problems are structural, and much bigger than the individual entities.

Some of our draft recommendations (such as longer contract terms) will help to commit governments to a particular course of action. But much more will be necessary. Other inquiries and reports have identified strategies that can help governments in the implementation journey. Common themes include leadership, building on strengths, and transparency — with a willingness of both politicians and public servants to exercise courage, trust and patience over an extended period.

Transparency must play a central role in this regard — not just in terms of policy impacts and outcomes for children and families, but also in demonstrating to the wider community what governments have agreed to, where investments are being directed, and with what aim. The development of a joint funding framework (intergovernmental agreement) between the Commonwealth and NT Governments could be used to formalise and bolster the reforms proposed in this draft report, particularly the process by which governments will agree on what they fund (informed by community plans) and commitments to make greater use of data at the community level.

But governments do not need to wait until such a framework is in place to start the reforms. The framework itself should not be viewed as a necessary precursor to implementing the proposed reforms. Rather, it would simply be the place where agreement on reform could be publicly formalised, which would aid in transparency and accountability of funding decisions.

There also needs to be an explicit commitment by both governments to transparently report on the progress of reforms so that communities can hold governments to account — and to embed an incentive for governments to stay focused on reform. This can be supported by external oversight of reform progress, led by the NT Children's Commissioner, which should monitor and publicly report on the progress of reform.

The reforms proposed in this draft report are not our final recommendations to governments. We are seeking feedback from the community on the proposed reforms before we finalise them. Submissions in response to this draft report are welcome by 20 December 2019, with the final report due to be sent to the Commonwealth and NT Governments by April 2020.

Draft recommendations, findings and information requests

How much are governments spending on children and family services?

DRAFT FINDING 2.1

Significant funds are spent on children and family services in the Northern Territory — in 2018-19, expenditure on services directly relevant to the prevention of harm to children was about \$538 million. The expenditure landscape for children and family services is complex and involves:

- nine funding agencies — five Commonwealth Government departments and four NT Government departments
- more than 500 service providers
- more than 20 funding streams, including over 700 grants.

Despite the size of this funding, expenditure data is not kept in a format that allows it to be used to inform policy.

DRAFT FINDING 2.2

It is not possible to accurately track where money is being spent in the Northern Territory. This is because:

- the location where money is being spent is not reported in a manner that is consistent between different government departments, with more than 15 different types of geographical units used to report location data
- in some cases, record-keeping about location is not sufficiently granular to allow expenditure items to be linked to specific towns or communities.

This is a barrier to understanding where money is being spent and to governments making informed and coordinated funding decisions for individual towns or communities.

DRAFT FINDING 2.3

Grants for children and family services in the Northern Territory tend to be small and given for short terms. In 2018-19:

- the median grant payment was about \$225 000, with about a quarter of payments less than \$100 000
- almost all grants (97 per cent) had terms of less than 5 years.

Better and more transparent data on expenditure and services

DRAFT FINDING 3.1

Record-keeping about what types of services are being funded and delivered is not standardised between and within departments. This is a barrier to tracking what services are being provided across all government departments.

DRAFT FINDING 3.2

Both the Commonwealth and NT Governments fund a broad range of children and family services, and there are many service areas where both governments are operating in the same field.

Areas of significant overlap in government funding include: services for addressing domestic, family and sexual violence; crime, justice and legal services; community development services; and sport, recreation, culture and wellbeing services.

DRAFT RECOMMENDATION 3.1 **HARMONISE RECORD-KEEPING PRACTICES**

The Commonwealth and NT Governments should work together to develop a common method for:

- reporting location data at a level of granularity that reflects service catchment areas
- describing and categorising children and family services.

This method should be adopted by all relevant government departments for the purpose of keeping records and reporting about government expenditures, as they relate to services for children and families. The improved expenditure and services data should be used by the NT Government as a basis for putting together a single and cohesive service list that covers all of the Northern Territory (draft recommendation 3.2).

INFORMATION REQUEST 3.1

The Commission is seeking feedback on what geographical unit should be used for reporting where funded services are provided. Is the concept of a 'service catchment area' a useful touchstone for choosing or designing a geographical unit? How might it be operationalised in practice?

DRAFT RECOMMENDATION 3.2 **A PUBLIC CHILDREN AND FAMILY SERVICE LIST**

The NT Government should compile and maintain a single and cohesive service list that covers, at a minimum, children and family services funded by the Commonwealth and NT Governments in the Northern Territory. The service list should be made available to the public, in a manner that allows members of the public and service providers to easily identify the services that are available in their communities.

At a minimum, the service list should contain information about:

- the type(s) of service(s) provided
- who is eligible to receive the service
- the service provider (name and contact details)
- when the service is available (days and hours of operation), including whether the service is provided on a permanent or visiting basis
- where the service can be accessed
- other requirements for attending (costs of attending, whether an appointment or booking is required).

Over time the service list could be expanded to include services funded through other means such as royalties and philanthropic sources.

Shared responsibilities are challenging but inevitable

DRAFT FINDING 4.1

In each area of children and family services, the roles and responsibilities of the Commonwealth and NT Governments are unclear and often overlap. This makes it imperative for them to work cooperatively in a coordinated way to meet shared outcomes.

Clearer roles and responsibilities would be desirable in the long term, but should not be pursued at the expense of other reforms or a more coordinated funding process.

DRAFT FINDING 4.2

In designing and funding services for children and families in the Northern Territory, there is limited coordination between levels of government (the Commonwealth and NT Governments) and within each level of government (for example, the National Indigenous Australians Agency and the Department of Social Services within the Commonwealth Government).

In terms of service delivery, service providers are often left to informally coordinate on the ground, to try to avoid duplication and better meet the needs of the community. Although numerous initiatives exist to coordinate services in specific places, these tend to be partial and fragmented, and at times overlapping.

Siloed decisions are leading to poorly targeted spending

DRAFT FINDING 5.1

The Commonwealth and NT Governments are making funding decisions about children and family services in ways that are not consistent with either the place-based or public health approaches to preventing harm to children.

Although there are pockets of good practice and improved processes emerging in some areas, it remains the case that:

- the needs of children and families in each community are not assessed in a systematic or rigorous way, and there is no holistic consideration of which services would best meet local needs and priorities
- community input into service selection and design is often belated or superficial
- there is sparse evidence for 'what works' in the NT context (and especially in remote Aboriginal communities).

The end result of these processes is that the system of children and family services in the Northern Territory is fragmented, with government expenditure poorly targeted and failing to best address the needs of children and families.

Coordinated funding underpinned by community needs and priorities

DRAFT RECOMMENDATION 6.1 **COMMUNITY PLANS AND COORDINATED FUNDING DECISIONS**

To deliver on their shared responsibility for funding children and family services in the Northern Territory, the Commonwealth and NT Governments need a new way of working together. This should include both governments genuinely engaging with NT communities, coming to a shared understanding of the issues affecting children and families, and jointly committing to solutions, with collective ownership and accountability for outcomes.

To put this new way of working into practice, the Commonwealth and NT Governments should establish a formal process to coordinate funding.

1. Both governments should collate community-level data on services, outcomes (risk and protective factors) and current expenditure on children and family services in each community.
2. The regional representatives of both governments should share the data with communities, and in collaboration with communities develop a short community plan that:
 - provides a snapshot of the strengths, needs and priority issues of children and families in the community
 - gives the community a voice about which children and family services they would like to retain, change or replace.

The regional representatives should provide the community plans to the Children and Families Tripartite Forum, together with a summary of overall expenditure, headline data and any other relevant information for each region.

3. Drawing on the community plans and regional summaries, the Children and Families Tripartite Forum should provide advice to both governments about funding arrangements for children and family services across the Northern Territory, including advice about funds pooling for particular locations or services.
4. The relevant Ministers of both governments should consider the advice of the Children and Families Tripartite Forum and then agree on which children and family services each is going to fund and in which locations, and publish details of the agreed funding.

This process should be repeated as necessary, including when there are significant changes in government or community priorities, or when new funding becomes available.

INFORMATION REQUEST 6.1

Which locations or service types should be considered as priority candidates for funds pooling? How could funds pooling be best put into practice in these areas?

DRAFT RECOMMENDATION 6.2 **AN EXPANDED ROLE FOR THE TRIPARTITE FORUM**

The Commonwealth and NT Governments should expand the terms of reference of the Children and Families Tripartite Forum to include providing advice on funding arrangements for children and family services across the Northern Territory, including advice about funds pooling for particular locations or services (as per draft recommendation 6.1). The Tripartite Forum should be adequately resourced so that it can fulfil its expanded role, and should manage any potential conflicts of interest.

DRAFT RECOMMENDATION 6.3 **BETTER DATA ON OUTCOMES FOR CHILDREN AND FAMILIES**

To provide a more complete picture of the wellbeing of children and families in the Northern Territory, the Commonwealth and NT Governments should improve their data so that it is:

- outcomes-focused — seeking to measure outcomes for children and families using available child-centred indicators across all the domains of child wellbeing
- collected, tracked and publicly reported at the community level wherever possible.

INFORMATION REQUEST 6.2

What are the sensitivities involved in releasing data at the community level on risk, protective and wellbeing factors of children and families (such as statistics on child protection, police, justice, health and education)? How could these sensitivities best be managed?

Longer term, more collaborative contracting with service providers

DRAFT FINDING 7.1

Current grant funding approaches used for children and family services in the Northern Territory do not facilitate a focus on long-term outcomes and create funding uncertainty for service providers.

Grant funding for children and family services is characterised by:

- short-term funding periods
- insufficient timeframes and information about funding opportunities and renewal or cessation of grants
- insufficient funding for capital expenses required for service delivery, for capacity building, and for monitoring and evaluation.

The result is gaps in staffing and capital for service providers, and substantial time devoted to grant applications. This adversely affects the quality of services, particularly where funding gaps mean providers have to cobble together funding from various sources and manage multiple grants.

DRAFT FINDING 7.2

Competitive funding processes can provide benefits, in terms of lower costs and improved service quality, but they are not suited to all circumstances. Where there is an inadequate number of potential providers (markets are 'thin') or the economic costs and benefits of a service are difficult to quantify, competitive processes may:

- disadvantage small, community-based and Aboriginal organisations that are trusted by, and may be better able to meet the needs of, communities
- create disincentives for collaboration between providers who are competing for a limited funding pool and the same service user group
- lead to a disproportionate focus on price over quality, and take insufficient account of the longer-term benefits of community-based service providers (such as cultural competence and trust of communities).

DRAFT RECOMMENDATION 7.1 **INCREASING CERTAINTY IN FUNDING**

The Commonwealth and NT Governments should set service contracts such that they provide adequate time and resources for service providers to establish their operations, and improve service quality and outcomes.

- Default contract lengths for children and family services should be set at a minimum of seven years.
- Funding should cover the full costs of providing children and family services in the Northern Territory (taking into account the higher costs of delivering services in remote areas, capital investments needed to support service delivery, and the cost of monitoring and reporting on service delivery outcomes).

Where exceptions to default terms are applied, for instance for program trials, agencies should publish a justification of why an exception was made. Pilot programs will be expected to have shorter initial terms, but contracts for such programs should include a contingency for long-term funding if the pilot is found to be successful.

Contracts should also contain adequate safeguards to allow governments to remove providers in cases where they fail to deliver an adequate service despite ongoing support from governments to rectify issues (draft recommendation 7.3).

DRAFT RECOMMENDATION 7.2 **INCREASING CERTAINTY IN THE CONTRACTING PROCESS**

To reduce uncertainty in funding of children and family services, the Commonwealth and NT Governments should:

- publish a rolling schedule of upcoming funding opportunities over (at least) the next twelve months
- allow sufficient time (a default of three months) for providers to prepare considered responses, including the development of integrated bids across related services
- notify providers of the outcome of funding processes in a timely manner, well in advance of the end of the existing contract.

DRAFT RECOMMENDATION 7.3 **A RELATIONAL APPROACH TO CONTRACTING**

The Commonwealth and NT Governments should adopt a relational approach to contracting, in which governments, service providers and communities work collaboratively towards shared outcomes. A relational contracting approach would involve:

- governments and service providers engaging in collaborative, regular reviews of service outcomes (after consulting users of the service) to assess progress against user needs, with continuous improvement and adaptation of services when required
- regular reviews that are proportionate to the dependency between governments and providers — for example, more regular reviews where there is lack of competition — and where the risk and complexities associated with the service are high
- management of the relationship with service providers at the local or regional level, using existing regional network staff and infrastructure already in place. Governments should ensure that regional network staff have the skills, capacity and authority to make independent decisions on minor changes to service delivery, and in consultation with head offices when more substantial changes are required.

DRAFT RECOMMENDATION 7.4 **AN EXPANDED ROLE FOR REGIONAL NETWORKS**

The Commonwealth and NT Governments should ensure that their regional networks have the skills, capacity and authority to:

- undertake community planning and provide advice to the Children and Families Tripartite Forum (as per draft recommendation 6.1)
- adopt a relational approach to contracting at the local or regional level (as per draft recommendation 7.3).

DRAFT RECOMMENDATION 7.5 **TRANSITION TO ABORIGINAL CONTROLLED SERVICE DELIVERY**

When commissioning children and family services primarily targeting Aboriginal and Torres Strait Islander people, the Commonwealth and NT Governments should ensure that service providers have the capacity to deliver physically accessible and culturally appropriate services.

- Funding decisions should take into account the characteristics and capabilities of providers (such as their cultural competence and connection to communities) and their ability to deliver improved outcomes. To support this, grant rules and guidelines should be adapted where necessary.
- Where an Aboriginal Community Controlled Organisation (ACCO) is expected to deliver better outcomes for children and families over the longer term, but lacks the capacity to effectively deliver services, the Commonwealth and NT Governments should engage non-ACCO service providers to partner with them, with funding agreements outlining a clear succession plan over defined timeframes and appropriate resourcing and incentives for building the capacity of the ACCO to deliver services.

Evaluation to build the evidence base and drive continuous improvement

DRAFT FINDING 8.1

Performance monitoring and reporting on children and family services occurs at many levels, but the quality and use of performance information is inconsistent. In general, performance monitoring of children and family services is:

- compliance-focused, mainly reporting on service outputs and tertiary level activities, such as delivery of statutory child protection services
- undertaken at a national, regional or agency level.

The current approach does not enable monitoring of outcomes for children and families at the community level. Better data on outcomes for children and families at the community level (draft recommendation 6.3) is needed as a first step in identifying the impact of the service *system* on outcomes.

INFORMATION REQUEST 8.1

How could the reporting burden be reduced for service providers that receive multiple grants from different funding agencies? Should providers only have to report to one funding agency? For example, should a 'lead agency' receive a unified report covering all reporting obligations for the children and family services the provider has been funded for in that jurisdiction? What other options are there to reduce reporting burdens?

DRAFT FINDING 8.2

Evaluation of children and family programs in the Northern Territory is challenging.

- Formal quantitative program evaluations of high scientific reliability (such as randomised controlled trials) will often not be informative for children and family services in the Northern Territory. This is because of the multifaceted factors that influence outcomes, the multiple programs simultaneously directed at affecting outcomes, and the rapid changes that can occur in the programs being delivered.
- Results of formal program evaluations (that seek to measure the impact of programs on outcomes) need to be interpreted carefully. Given that the mix of other programs varies by community in a non-random way, only rough conclusions about a program's impact can be drawn — precise magnitudes of impact cannot be estimated.
- Informal evaluation, embedded into the design and delivery of programs from the start, helps to facilitate learning by doing and continuous improvement. An informal evaluation approach (that employs monitoring and assessment of basic program metrics, including through the use of user surveys) is likely to be suited to many types of children and family services in the Northern Territory.

DRAFT RECOMMENDATION 8.1 **BUILDING THE EVIDENCE BASE THROUGH EVALUATION**

The Commonwealth and NT Governments should embed requirements (and appropriate resourcing) for monitoring and evaluation into contracts for children and family services where:

- the service lacks an existing, relevant and context-specific evidence base
- the service is expected to be adapted over time (for example, because the exact inputs and outputs of the program may not be known in advance).

At a minimum, funding should support the use of an evaluative approach that facilitates learning by doing and continuous improvement in services (draft finding 8.2). This should include funding to run periodic surveys that seek to understand user experience and community views on the functioning of the service and how it could be improved. This is an important complement to the collection and reporting of data on outcomes for children and families at the community level (draft recommendation 6.3).

Governments should prioritise and fund more formal, rigorous evaluations for programs or services that:

- involve a high level of expenditure and risk, or that cover a large number of children and families
- have been introduced in communities where there have not been significant changes in policies or other programs (to enable reasonable attribution of the impact of the program on outcomes).

Implementation and oversight of reform progress

DRAFT RECOMMENDATION 9.1 **AN AGREEMENT ON COORDINATED FUNDING**

The Commonwealth and NT Governments should negotiate an agreement for a coordinated funding framework for services relating to children and families in the Northern Territory.

This framework should include:

- the mechanism by which governments will agree on how they will coordinate funding (including any pooling of funds) in line with the needs and priorities of children and families, as outlined in community plans (as per draft recommendation 6.1)
- the institutional arrangements for enacting this coordination, including the role of the Children and Families Tripartite Forum and the NT Children's Commissioner (as per draft recommendations 6.1 and 9.2)
- a commitment to transition to longer-term contracting and a relational approach to engaging with service providers (as per draft recommendations 7.1 and 7.3)
- criteria to guide the selection of service providers and partnerships between Aboriginal and non-Aboriginal providers (as per draft recommendation 7.5)

The coordinated funding framework should be developed in consultation with the Children and Families Tripartite Forum and with community representatives in the Northern Territory.

DRAFT RECOMMENDATION 9.2 **INDEPENDENT OVERSIGHT OF REFORMS**

The NT Government should task the NT Children's Commissioner (and its future replacement in the Commission for Children and Young People) with ongoing monitoring and public reporting on the progress of reforms to children and family services in the Northern Territory. This should include reporting annually on the progress of:

- implementation of the recommendations of the Royal Commission into the Protection and Detention of Children in the Northern Territory
- implementation of the recommendations of this Productivity Commission study.

Where Commonwealth services or funding are involved, the Commonwealth Government should proactively assist the NT Children's Commissioner.