

Contestability in Youth Homelessness and Other Grant-based Family and Community Services

Yfoundations submission to the Productivity Commission
inquiry on Human Services

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Summary

This submission relates to the recommendations in Section 8 of the Preliminary Findings Report. Yfoundations broadly supports the recommendations. However, we have serious concerns that critical clarifications and points of nuance have been overlooked that may lead to significant flaws in future reforms that rely on this inquiry's recommendations. This submission sets out the reasons why the Productivity Commission should in the Final Report of this inquiry:

1. note the need for Government to take a nuanced and sophisticated approach to using assessments of need to inform resourcing decisions. The interpretation of an assessment of need should include an awareness of gaps and inadequacies in the data it is based on.
2. note that Governments making resourcing decisions based on an assessment of need should interpret the data with sophistication. Government should demonstrate that there will be overall gains in reallocation, taking into account an assessment of sector strengths and weaknesses, and the potential inefficiencies of shifting resources.
3. note not only the importance of engaging service providers, but also the importance of governments allocating sufficient staffing resources (capacity and skills) to the engagement process.
4. clarify that an outcome-focused approach will not always require outcome-based contracting, and that other strategies such as outcome-focused contract management may be more appropriate in some contexts.
5. recommend that Government departments should establish outcomes frameworks for services and outcomes and measures for contracts. This should be undertaken in close collaboration with service providers, and sufficient resources must be devoted for genuine consultation.
6. recommend that governments review their contract management practices to determine whether they are consistent with established procedures, and adequate in cases of potential underperformance. Weaknesses should be corrected by enhancing contract management capabilities in departments.
7. note the effects of inadequate timeframes for tenders in increasing the likelihood of breakdown of relationships between organisations in a tender due to insufficient time to develop and formalise the relationship.
8. note the effects that inadequate timeframes for contracts have on the collaboration necessary for innovation. Guidance should be provided as to best practice in contract lengths.
9. recommend that outcome data should be available for analysis as soon as possible after collection and should be made readily available to services.
10. recommend that sufficient resources exist to give young people experiencing homelessness advice and assistance in making choices. It should also recognise that the practical reality of having choices is dependent on sufficient funding for the services that can assist them.

About Yfoundations

Yfoundations' mission is to create a future without youth homelessness. We are the NSW peak body on youth homelessness and represent young people at risk of, or experiencing, homelessness, as well as the services who provide direct support to them.

Since its formation in 1979 this organisation has called for reform and improvement to broader systemic responses to youth homelessness and young people at risk of homelessness. Yfoundations provides advocacy and policy responses on issues relevant to young people affected by homelessness and issues relevant to service providers.

Our aim is to promote, protect and build on existing good practice and excellence in addressing youth homelessness. We also strive to ensure that youth homelessness remains a priority in public policy on: homelessness, youth affairs, youth justice, education, child protection, employment, health/wellbeing, and housing. Our vision is to ensure that all young people have access to appropriate and permanent housing options that reflect their individual need.

In pursuit of these goals, we have identified five 'foundations' for the positive growth and development of a young person and the process of ending youth homelessness:

- Home & Place
- Safety & Stability
- Health & Wellness
- Connections & Participation
- Education & Employment

These foundations place youth homelessness in a broader context, recognising that it interrelates with a range of issues, and that ending youth homelessness will require coordination across silos. They provide a framework for reaching out to other service areas to explore collaborative and integrated solutions. We believe it is vital that each young person has the opportunity within each domain to thrive. More information about these foundations is available on Yfoundations' website.¹

¹ Yfoundations, *The Foundations* <<http://yfoundations.org.au/explore-and-learn/publications/the-foundations/>>

Introduction

Yfoundations welcomes the opportunity to comment on the Productivity Commission's recent report "Introducing Competition and Informed User Choice into Human Services: Identifying Sectors for Reform, Preliminary Findings Report" (hereafter referred to as the "Preliminary Findings Report"). We will confine our responses to the recommendations on grant-based family and community services in Section 8. Whilst we are broadly in agreement with some other recommendations in the report, such as increased user-choice for social housing tenants and place-based approaches for human services in remote indigenous communities, we do not have sufficient knowledge to comment on such recommendations in detail.

We will take as our framework for response the recommendations in the summary box "Preliminary Findings 8.1". We will comment on each of these recommendations, and the relevant text relating to these in Section 8, in turn. Broadly we are in agreement with all these recommendations. However, we have serious concerns that critical clarifications and points of nuance have been overlooked that may lead to significant flaws in future reforms that rely on this inquiry's recommendations.

Unlike most other sections of the Preliminary Findings Report, Section 8 does not have a "potential costs of reform" subsection. This is understandable as the overall recommendation is simply for government to improve existing contestability arrangements; in theory there should be no costs to this. However, the experience of the homelessness sector in NSW is very clearly that poor implementation of a reform can, in reality, have significant costs. The NSW Government, to its credit, has admitted that mistakes were made in the Going Home Staying Home (GSHS) reform process, and seems keen to avoid those errors in future reforms in other areas. Yfoundations is likewise keen to help ensure that the lessons for reform processes are heeded in future reforms both of our own sector and of other sectors in NSW and nationally. Thus our advice in this submission is for the inclusion in the final report of this inquiry of a number of additional points and clarification that we see as critical in ensuring that future reforms not repeat past mistakes.

Systematic Approach to Identifying Community Needs

The Preliminary Findings Report recommends that: "Governments could deliver a better mix of services if they took a systematic approach to identifying what the community needs." While it is true that the information gained from a systematic identification of needs would be valuable and should factor into government decision-making, it is important that resource allocation for community services not be simplistically determined by such an exercise. There are two reasons why a more sophisticated approach is required: firstly, there is a high likelihood that such data will be partly flawed; secondly, widespread unfilled need makes reallocations of resources inefficient. This more sophisticated approach needs to take into account other factors such as the existing strengths and weaknesses of the service sector. So along with an assessment of community needs, an analysis of the sector should be undertaken.

Allow for flawed data

On some issues determining community need can be a relatively straightforward exercise. However, on many issues, including homelessness, it is extremely difficult to be accurate. For example, despite the sophisticated methodology used by the ABS to estimate homelessness, it is acknowledged that “homeless estimates for youth are likely to have been underestimated in the Census”.²

An example of the difficulties with such an exercise was seen during the Going Home Staying Home (GHSH) reform process. As part of the reform a Resource Allocation Model (RAM) was devised. This was based on an assessment of the levels of homelessness in each district, i.e. an assessment of need. However, the RAM used population and economic data as its starting point. Even before the model was finalised services had raised with NSW Family and Community Services (FACS) the issue that this data did not necessarily predict where homelessness occurs. Although the final RAM attempted to address this by use of other data such as ABS homelessness estimates, as noted above, even this data contains inaccuracies. Also, the final RAM report noted that the model did not take into account that those experiencing homelessness cross-district borders to access services.³

The final outcome of the RAM indicated that funding in the Sydney district was almost five times the “ideal” share. The RAM report acknowledged gaps in the data, issues not addressed by the model, and that: “How quickly and by how much the current district allocation is adapted by FACS to match that of the RAM will be guided by other factors”. Despite all this, based on the RAM, a decision was taken by the NSW government to strip large amount of funding out of the Sydney district. Eventually this decision was largely reversed by the Inner City Restoration Fund. However, services in the district experienced a great deal of disruption and loss of key staff during the period where it appeared that significant funding would be lost.

Recommendation 1: The Productivity Commission should in its Final Report note the need for Government to take a nuanced and sophisticated approach to using assessments of need to inform resourcing decisions. The interpretation of an assessment of need should include an awareness of gaps and inadequacies in the data it is based on.

Widespread unfilled need makes reallocations of resources inefficient

Where services are inadequate to meet community need over most areas, reallocation of resources to areas of higher need will not result in a net improvement in service provision, and can actually reduce the quality and extent of services provided. The reason is that if a service’s resources are fully utilized in a region of low need, reallocating those resources to a region of high need will still only result in full utilization. And the process of reallocation can contain unavoidable inefficiencies. The reallocated resources may take time to be put into effect, and initially may not be used as expertly due to inexperience in the new region. Also,

² Australian Bureau of Statistics (ABS), *FACTSHEET: Youth homelessness - 2049.0 - Census of Population and Housing: Estimating homelessness* (2011) <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/2049.0>>

³ Deloitte Access Economics, ‘Resource Allocation Model for Specialist Homelessness Services’ (Report, NSW Department of Family and Community Services & Housing NSW, November 2013) <http://www.housing.nsw.gov.au/_data/assets/pdf_file/0020/324902/RAM.pdf>

the loss of resources in the original region may mean that related services become less effective and community contributions are lost.

A hypothetical example makes this clear:

In region A, a long-standing and highly regarded homelessness service exists that is funded to house 20 people of moderately complex needs. Through community fund-raising it actually is able to house 25 people and it is invariably full. A systematic investigation of homelessness reveals that on any night Region A has 100 people who are homeless. However, the investigation also reveals that Region B has 200 people who are homeless each night. On this basis resources are reallocated to Region B and a new homelessness service is opened; the service in Region A shuts down. It takes six months for the new service to be up and running during which no homeless people are housed in either areas. Once commenced it only houses 20 people because there is no community recognition and support of the service. Also, for the first two years the new service is only able to take in homeless people with low complexity of need due to inexperience of staff. Even after staff gain experience it is years before the new service is able to deliver the standard of outcomes of the service in region A. Meanwhile in region A, community fundraising is not undertaken and a highly effective partnership with local schools that diverted young people from homelessness now no longer operates.

For these reasons the information from a systematic identification of need must be interpreted by government with sophistication. Such data gives an excellent guide for the allocation of new resources, which can then be evaluated for their effectiveness. But for the reallocation of existing resources a careful analysis of what will be lost should be undertaken and compared to potential gains, taking into account the uncertainties in the data.

Analysis of the sector

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

Recommendation 2: The Productivity Commission should in its Final Report note that Governments making resourcing decisions based on an assessment of need should interpret the data with sophistication. Government should demonstrate that there will be overall gains in reallocation, taking into account an assessment of sector strengths and weaknesses, and the potential inefficiencies of shifting resources.

Engagement to Improve in Policy Design

The Preliminary Findings Report recommends that: “Engagement with service providers and users at the policy design stage could increase the quality and efficiency of services.” It also acknowledged that government may lack knowledge associated with frontline service when it is no longer (or, as in the case of homelessness services, never was) a provider. But it was noted that excessively close relations between government and providers can be anticompetitive and that this tension must be managed.

In order to draw on the expertise of service providers while avoiding anticompetitive actions, some Governments will need to substantially enhance the skills and capacity of their departments in undertaking the difficult process of genuine consultation. Yfoundations has been involved in a large number of consultation processes ranging from small consults that inform the design of a particular program, to large-scale processes undertaken as part of major reform. Although the quality of these consultation processes varies, a number of flaws are very common, such as: unrealistic timeframes for responses, failure to include critical stakeholders (particularly service users), inclusion of organisations with no knowledge of the area, inefficient use of time with forums being too long and/or frequent, and only having late consultations where details are considered and flaws in the overall direction are locked in.

It should be acknowledged that high-quality engagement processes are very difficult to run. Yfoundations' observation is that often the flaws in the processes seem to be the result of inadequate staff resources in Government. Too few staff are allocated, so that many aspects of the process are rushed to meet deadlines. And often there is little experience or expertise in consulting processes so that basic principles of good consultation are not implemented.

Based on research, consultation with members, and Yfoundations' own previous experience with consultation, we have compiled the following list of principles for genuine consultation. The following points should be kept in mind when designing and implementing any consultation process:

- **Early consultation:** Consultation should not merely involve soliciting opinions on a predetermined set of options, stakeholders should be involved in the development of options and prior to that involved in the background work on defining the issues.
- **Timelines:** A draft of the timeline for at least the initial stages for consultation should be publically released as the first step in the process. It should include when stakeholders will be asked for information or feedback, when information will be provided, and when decisions will be reached. Stakeholders should be able to determine when in the timeline they are involved, and raise objections to the timeline if events and deadlines should be moved forward or put back.
- **Purpose:** The purpose of the consultation process and each part of it should be made clear, especially whether the intent is to: provide information to stakeholders, gather information and feedback from stakeholders (what will be done with this information should also be made clear), or having stakeholders making or involved in decisions.
- **Outcome transparency:** Details on the uptake of information, the results of consultations (what information and feedback was given and how it was incorporated into decision making) and the outcome of decisions should be made publicly available throughout the consultation process.
- **Stakeholders:** A range of stakeholders need to be included in different parts of the

consultation process. The perspectives of individuals with experience of homelessness, frontline case workers, the heads of small local and specialist services, relevant division heads of larger services, sector peak bodies, representatives from related services and academic experts, should all be sought. And the process should be open to participants nominating other relevant parties who have not been included; as well self-nomination from interested other parties.

- State-wide and local: Consultations should occur at both state-wide and local/district level. A balance should be struck between allowing for particular local needs and conditions, and the broader needs for consistency. The process of consultation must be consistent and equally affective across different districts/local communities.

Recommendation 3: The Productivity Commission should in its Final Report note not only the importance of engaging service providers, but also the importance of governments allocating sufficient staffing resources (capacity and skills) to the engagement process.

Provider Selection and Contract Arrangements

The Preliminary Findings Report recommends that: “Contract arrangements that are focused on outcomes for service users could increase the incentives for service providers to deliver services that meet people’s needs and provide more scope for innovation in service delivery.” A focus on outcomes is highly desirable and will encourage higher quality and more innovative services. However, it should not be assumed that an outcomes focus necessarily entails outcomes-based contracting in the sense of having payments triggered by outcomes change. There are a number of issues with outcomes-based contracting for the small organisations that make up the majority of the homelessness sector. An outcomes-focused performance management approach is more appropriate, at least initially. The report also notes problems with overly short tender and contract periods. These can likewise have particularly negative consequences for smaller organisations.

The need for small organisations

There are a range of arguments that can be made for the value of having small and local not-for-profit organisations as service providers in youth homelessness. Such arguments include: being more aware of and better adapted to local circumstances; better connections with the community facilitating young people's community connections; the ability of staff to have closer relationships with the young people they assist; and reduced likelihood of having young people get “lost” in the system. However, it is worth noting that there are some very good youth homelessness services run by large not-for-profits.

Whatever the position taken on the relative merits of large and small not-for-profits, the practical situation in the homelessness sector is that the majority of services are delivered by not-for-profits operating in only one district. Thus any policy settings that disadvantage smaller providers will lead to a substantial loss of sector expertise. The aim of government should be to maintain this diversity of expertise that exists in the sector. Unfortunately there is a tendency of large government departments to prefer working with large not-for-profits.⁴

⁴ James Whelan, Christopher Stone, Miriam Lyons, Natalie-Niamh Wright, Anna Long, John Ryall, Greta Whyte and Rob Harding-Smith, ‘Big Society and Australia: How the UK Government is dismantling the state and what it

There is a need to look at ways that the recommendations of the Productivity Commission include advice to help ensure that any changes do not damage the diversity of providers.

Outcomes focus

Outcomes-based contracting is frequently defined as including outcomes dependent incentives⁵, which means that full payment of the contract is delayed until after outcomes are established. This funding model can pose a particular problem for small organisations since they may not have the reserves to be able to operate for the time required before full payment. Also, since outcomes are generally less under the complete control of a provider than other measures, such as activities, this leads to greater funding uncertainty which small organisations are less able to absorb.

However, the above should not be seen as a barrier to taking an outcome-focussed approach. Rather than outcomes-based contracting, an outcomes-focussed approach to contract management could be taken. Current contracts contain activity targets, such as numbers of clients assisted. If the contracting government department thinks these targets are not being met there are contract management procedures that can be followed. Activity targets could be replaced by outcomes, but rather than specific payments being tied to outcomes, the standard contract management procedures could be used where it seems outcomes are not being achieved.

Recommendation 4: The Productivity Commission should in its Final Report clarify that an outcome-focussed approach will not always require outcome-based contracting, and that other strategies such as outcome-focussed contract management may be more appropriate in some contexts.

There are two potential issues with this approach. Firstly, there is the difficulty of establishing valid outcomes and good measures of the outcomes (also an issue with outcome-based contracting). The experience of even large not-for-profits in contractual arrangements dependent on outcomes, such as social investment bonds, has been that the process of establishing outcomes and measures was a massive undertaking.⁶ An exercise that strains the capacity of Australia's largest not-for-profit organisations is well beyond the resources of the majority of youth homelessness service providers. Such an undertaking will need to be joint undertaking by government and the services sector, and this will require sufficient government resources being put towards engagement as described in the previous section.

Recommendation 5: The Productivity Commission should in its Final Report recommend that Government departments should establish outcomes frameworks for services and outcomes and measures for contracts. This should be undertaken in close collaboration with service providers, and sufficient resources must be devoted for genuine consultation.

means for Australia' (Research Paper, Centre for Policy Development, May 2012) <<http://cpd.org.au/2012/05/big-society-how-the-uk-government-is-dismantling-the-state-and-what-it-means-for-australia/>>

⁵ Emma Tomkinson, 'Outcome-based contracting for human services' (2016) 1 ANZSOG: Evidence Base <<https://journal.anzsog.edu.au/publications/20/EvidenceBase2016Issue1Version1.pdf>>

⁶ Sally Cowling, 'Social Investment Bonds - Friend or Foe?' (Paper presented at SACOSS 2014 Conference: Taxing Times - Sustaining Vital Services, Adelaide, 11 February 2014)

Secondly, governments may need to improve their contract management. In February this year Yfoundations, Homelessness NSW and DVNSW collated the information they had been collecting over the past 12 months on contract management of homelessness services. In instances where funding for an organisation was discontinued there was generally a lack of communication. Governments must be able to ensure, especially where there are concerns about contract performance, that they are able to provide clear, transparent and documented communication with services that outlines the expectations and requirements at each step with reasonable timeframes. In addition, contract management using outcomes rather than activity targets may be a more complex task. It may require a more nuanced approach such as comparison with a previous baseline and understanding the factors involved to gauge not only performance, but to assess trends, etc.

Recommendation 6: The Productivity Commission should in its Final Report recommend that governments review their contract management practices to determine whether they are consistent with established procedures, and adequate in cases of potential underperformance. Weaknesses should be corrected by enhancing contract management capabilities in departments.

Short tender and contract periods

The Preliminary Findings Report pointed out a number of negative impacts of overly short tender and contract periods. However, some critical negative impacts were not covered.

The report mentioned that tender timeframes are rarely adequate to allow for formalisation of collaboration through joint ventures. In addition to this it should be noted that some level of collaboration may be required for tender success and this and overly short timeframes can lead to subcontracting, partnerships, and even mergers that are not adequately thought-through or formalised and may then break down during the tender period. There have been a number of examples of this in the aftermath of the GSH tender process.

Recommendation 7: The Productivity Commission should in its Final Report note the effects of inadequate timeframes for tenders in increasing the likelihood of breakdown of relationships between organisations in a tender due to insufficient time to develop and formalise the relationship.

Also mentioned was that the pressure to compete for contracts could undermine informal collaboration. The effect this has on innovation was not mentioned. Information sharing is an important part of innovation in a sector with multiple small organisations. It allows the sector to benefit from the diversity of perspectives present. However, in a highly competitive environment new ideas are often not shared for fear of having a new approach appropriated in upcoming tenders. Youth homelessness services have suggested that contract periods of five years would be more appropriate.

Recommendation 8: The Productivity Commission should in its Final Report note the effects that inadequate timeframes for contracts have on the collaboration necessary for innovation. Guidance should be provided as to best practice in contract lengths.

Better Collection and Use of Data

The Preliminary Findings Report recommends that: “Better use of data could help service providers and governments identify and disseminate effective practices.” The report also noted that often the wrong information is collected and that Governments should focus on the collection of service user outcomes rather than services' inputs and outputs. If governments are to collect such data it should be available for analysis as soon as possible after collection and should be made readily available to services. Services should have access to their own output data and have it benchmarked against the state-wide data.

Often, even when the right data is collected, the delay between collection and distribution is such that the information becomes less useful as it does not take into account recent changes in policies or external factors. If an outcome-focussed approach is to be taken, it is important that outcome data is not so long delayed. It is also important that services have the transparency of seeing the data by which their performance is being monitored. It will likely improve service quality if services are able to have early knowledge of their strengths and weaknesses in affecting their clients' outcomes. It will also aid innovation if any affects of changes in practice put in place by services are able to be quickly perceived by the services, since this will allow faster learning.

Recommendation 9: The Productivity Commission should in its Final Report recommend that outcome data should be available for analysis as soon as possible after collection and should be made readily available to services.

Support User Choice

The Preliminary Findings Report recommends that: “Measures to support user choice and introduce greater competition between service providers could create incentives for providers to improve services in some areas.” Young people's right to choose should be supported. This is particularly the case for those young people who are, or have been, homeless. Having a say in the directions their life takes is important in regaining stability and in developing on their journey to full autonomy.

The capacity of a young person to exercise informed choose will vary. This variance is not dependent solely on age; rather it depends on where the young person is on the development journey towards autonomy and independence. Their development will be influenced by a range of factors including mental health, experience of trauma, drug use and mental disability. For many young people there will be a need for advice and assistance with their decision, and so it is important that such resources are available to them.

It should be noted that the choices of young people experiencing homelessness are often in practice removed by lack of resources. For example, even in regions where multiple services are available, a lack of any beds at most or all will take away any choice.

Recommendation 10: The Productivity Commission should in its Final Report recommend that sufficient resources exist to give young people experiencing homelessness advice and assistance in making choices. It should also recognise that the practical reality of having choices is dependent on sufficient funding for the services that can assist them.