Towards a more effective and sustainable community services system

A discussion paper

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1 Foreword

I was fortunate to spend 20 years in the Australian Public Service (APS). I was given an opportunity to head up a diverse range of Commonwealth agencies, including Multicultural Affairs, Aboriginal and Torres Strait Islander issues, Employment, Workplace Relations, Education, Training and Science. I also served as Public Service Commissioner. I found my vocation interesting, worthwhile and meaningful.

When I retired as Secretary of the Department of the Prime Minister and Cabinet in February 2008, I did so in the belief that opportunities existed for more participatory forms of engagement in governance. As I said in my valedictory remarks: “I am increasingly persuaded that [public policy] is far too important to be left to governments and public services ... it is the support and advocacy of not-for-profit organisations that gives Australian democracy its vibrancy.”

I had been mightily impressed by the extent to which community organisations had become engaged in the delivery of a wide array of human services, both at the Commonwealth and State and Territory level. I recognised then, and far more now, that there existed greater opportunity to have public service agencies and community organisations collaborate in the design, implementation and evaluation of publicly-funded programs. I appreciated, too, the value of better engaging individual citizens in the management of the services intended to support them at times of need.

I have become increasingly persuaded that more effective collaboration between the public, community and private sectors can help drive social innovation. This would allow governments to receive larger returns for their increasing investments in addressing disadvantage and improving opportunity. Most importantly, it will enable citizens to gain access to better services.

I was therefore delighted when I was asked by the Victorian Minister for Community Services, the Hon. Mary Wooldridge MP, if I would act as the independent project leader of the consultative process on the Victorian government’s Service Sector Reform project. I feel fortunate to have the support of a joint management team comprising not only the Victorian Department of Human Services and the Office for the Community Sector but also the Victorian Council of Social Service.

I know from discussions with the Minister the high priority which she has given to assessing how “to ensure we have a vibrant, effective and efficient sector that continues to make a real difference in the lives of many thousands of Victorians.”

I am pleased that the process is to start by talking to those community sector organisations who have such significant expertise to offer.

There have already been significant improvements to the delivery of community services in Victoria in recent years. Yet, as the Minister recognises, there is now an opportunity to further enhance the capability and capacity of the sector so that it can deliver better outcomes to those people who need support.

I’ve tried to write this paper in a way which opens up informed discussion. Any views expressed in it are mine alone. I trust that by the end of this consultative process, community views will have emerged clearly. I will do my best to convey those sentiments accurately. Where, inevitably, there are differences of opinion I will seek to identify the bases of disagreement.

Thank you, in advance, for participating in such a worthwhile inquiry.

Professor Peter Shergold AC
Independent Project Leader
The Service Sector Reform consultation process

The Service Sector Reform project aims to improve how government and the community services sector work together to improve the lives of vulnerable and disadvantaged Victorians.

The Reform will assist government and the service sector to improve outcomes for those in need by delivering services in efficient and effective ways, and adjust to increasing cost and demand pressures to ensure the sustainability of the community services system.

This consultation process is an opportunity for all stakeholders involved in Victoria’s community services system to have an open and constructive discussion about Service Sector Reform.

You can get involved in the consultation process in a number of ways including by:

• attending workshops
• providing online feedback or sending an email or letter.

The consultation schedule and information about how to participate is available at www.vcoss.org.au.

As part of the consultation process, the Victorian Council of Social Service (VCOSS), in its capacity as a Service Sector Reform project partner, is offering opportunities for dialogue to its members. For more details see Section 5 ‘Having your say’.

How to use this consultation paper

This paper supports the consultation process with community services organisations. It outlines key issues facing the Victorian Government, public service agencies and community services organisations. It identifies potential pathways for reform, supported by relevant examples and poses questions for feedback.

It is not necessary for you to comment on every topic or answer every question in this paper, unless you wish to do so. Instead, please use it as a starting point to provide feedback on the things that matter most to you, or your organisation. Importantly, feel free to identify issues which you believe have not been adequately addressed in this paper.

Section 5 provides more details about how you can provide your feedback.
Glossary

In this document, the following terms are used. This is how they are defined:

• **Community service organisations (CSOs):** Not-for-profit organisations or social enterprises, ranging from major non-government organisations to small grass roots charities. All perform activities aimed at improving the lives of Victorians, particularly those who are disadvantaged or vulnerable.

• **Inputs:** The resources (people and infrastructure) used to deliver outputs and outcomes. In the community sector much of the funding of these resources comes from government grants or service agreements.

• **Outcomes:** The extent to which an activity, service or program has achieved its intended results, by improving the lives of individuals, families and/or the community. Examples include attaining stable housing, permanent employment, better health, improved disability care and/or greater independence.

• **Outputs:** The product of an activity or intervention. For example, the number of services provided.

• **Programs:** The wide range of government-funded programs earmarked to address specific community services, such as Individual Support Packages (for disability services), ChildFIRST, Child and Adolescent Mental Health Services or Housing Support.

• **Service providers:** Organisations directly providing services to people. Providers may be public servants (directly or by contract), the not-for-profit sector (particularly CSOs), the private sector or a combination of these.
2 Introduction

2.1 Community services

In this document community services refers to a wide range of services provided to Victorians, particularly people who are vulnerable or disadvantaged. These include Aboriginal-specific services, programs related to alcohol and other drugs, community health, disability support, early childhood, family support, family violence, homelessness and social housing, mental health, post-incarceration reintegration and youth.

The community services system (‘system’) refers to all individuals and organisations (government, public service, not-for-profit, private) involved in delivering government-funded community services in Victoria, through a range of publicly-financed programs and services.

2.2 Purpose of the consultation

This consultation is intended to engage all the stakeholders involved in Victoria’s community services system on how to reform the system and make it more effective, accessible and sustainable. This includes looking at how to encourage more innovative approaches and governance for delivering services so that citizens and CSOs are able to work alongside public service agencies in designing and delivering programs.

The consultation is a joint undertaking. It is being led by the Victorian Department of Human Services (DHS), VCOSS and the Victorian Department of Planning and Community Development (DPCD). Stakeholders include government, CSOs, the community services workforce, service providers and – most importantly – the people who use services.

At the heart of reform lies the need for greater support for vulnerable members of the community. Stakeholders also face many challenges such as increasing demand, rising expectations and escalating cost pressures. At the same time, government and CSOs must work within available funding and resources. Reform will require new, more collaborative forms of governance.

The issues described in this paper are not intended to be exhaustive. I hope they will prompt robust conversations about how people want the system to operate in the future and stimulate practical suggestions on how to achieve this.

Designing a strong, sustainable community services system for the future is an ambitious and complex undertaking. It will involve building on existing strengths and capabilities as well as learning from successful practice elsewhere. The consultation is an opportunity for parties to discuss the challenges and trade-offs (for example, between risk appetite and public accountability, innovation and maintenance of ‘business-as-usual’, delivering flexibility and quality assurance standards, citizen empowerment and equality of access). This is an opportunity for reform to be informed by open, constructive and pragmatic dialogue.

I have been asked to oversee the consultation process to report to the Minister for Community Services, the Hon. Mary Wooldridge MP, on the views expressed on opportunities for sound innovation and systemic reform. The task, in the words of the Minister, is to “generate new thinking about how to ensure we have a vibrant, effective and efficient sector that continues to make a real difference in the lives of many thousands of Victorians.”
3 Context of reform

The community services system has a strong commitment to improving people's lives. Over many years, governments have worked with public service agencies, churches, charities and other not-for-profit organisations and social enterprises. Together they have tackled disadvantage and supported vulnerable Victorians by delivering a range of services to meet the diverse needs of the Victorian community.

The community services system is large and complex. It is funded by multiple Commonwealth, State and Local Government agencies. It also depends on contributions from philanthropists, volunteers, socially responsible businesses and other sources of income (such as trading). In 2011-12, DHS alone provided $1.3 billion of funding to around 1,000 CSOs to deliver human services in Victoria. In total, CSOs received more than $3 billion government funding (including funding from the Department of Health, the Department of Education and Early Childhood Development and the Department of Planning and Community Development).

Services are delivered by a diverse range of CSOs and accordingly there are some very large funding recipients. For example, two organisations funded by DHS received more than $50 million each in 2011-12. Conversely, more than half of all funding recipients, 640, received less than $100,000 funding. Many organisations have evolved to address specific local need, which has enabled them to be responsive to the community. At the same time, this has resulted in many discrete entities, which share limited resources with complex funding and reporting requirements.

The system’s size and complexity and the increasing pressures it faces today, mean that it is important to examine the improvements that can be made to the delivery of community services.

Reform is the joint responsibility of all service providers. It relates to government policy and the way government designs and manages programs through its public service, the facilitative role of the community services sector, and in particular, the expertise of CSOs. CSOs are characterised by the professional dedication of their staff, their commitment to those they serve, their strong engagement with volunteers and their capacity to attract philanthropic support.

The community services system is characterised by a history of engagement between CSOs and government. However, the different capacity and structures of some CSOs has led to variation in the quality of services and their ability to meet the needs of vulnerable people. There are examples of innovative practice within the sector that could potentially be scaled up. Yet the system in its current form is limited in its capacity to capitalise on these strengths. At the same time, public service agencies have tended to see their role as managing contracts rather than developing collaborative relationships with the CSOs that deliver government programs.

It should not be thought that no progress has taken place. Changes are afoot. In recent years, the Victorian Government has launched a number of reforms to drive significant improvements in the community services system. These include the reforms of community mental health and alcohol and other drug services, child protection (through the Victoria’s Vulnerable Children Strategy) and homelessness (through the Victorian Homelessness Action Plan). A significant reform of disability services is also underway through the National Disability Insurance Scheme (NDIS). There has been greater emphasis on flexibility, contestability, performance-based contracts, place-based approaches and individualised funding. This consultation process is intended to incorporate, assess and capitalise on the feedback and lessons from such initiatives.

The reform also needs to address challenges within the government and the public service around how best to deliver programs. We need to discuss how to innovate and collaborate across the community services system. Too often, the design of programs reflects bureaucratic convenience rather than a holistic approach that puts people at the centre.

Vulnerable people need a simpler, more integrated system that produces better outcomes. Achieving real and lasting change will require stronger collaboration, partnership and governance between government and CSOs.
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This reform process presents a significant opportunity for stakeholders to address these and other challenges and together build a more effective and sustainable system for the future. I hope it will be seized.

3.1 Opportunities and challenges in the current system

Recent years have seen significant reform in the way community services are delivered. For example, there is now a greater emphasis on designing programs aimed at prevention and early intervention and an increasing focus on integrating services around the person who needs them. However, there is still a long way to go.

The challenges in the current system limit its ability to deliver the best possible outcomes for vulnerable people. It is clear that many people find themselves unable to move out of disadvantage and the system is not doing enough to break cycles of social exclusion. Too often individuals, treated as dependents, learn helplessness.

The Government’s 2011 paper, Human Services: The case for change identified a range of systemic issues that create barriers to delivering effective services to the people who need them most. One of the most significant issues, intergenerational disadvantage, occurs partly because the way the system is organised makes it harder for people to have control of the improvement of their lives. This includes a tendency to treat people as passive recipients of services rather than active participants in the system who can, with the support of CSOs, make decisions on their own behalf.

A poorly coordinated and fragmented system makes it difficult for people to navigate the system and receive the support they need. Multiple access points mean many people have to tell their stories too many times to too many different parties. This is frustrating and time consuming for individuals. It is also costly and inefficient for providers.

There are also a number of other systemic issues that need to be addressed, such as place based disadvantage, a particular issue in growth corridors. Another issue is race: the group which probably finds it hardest to access government services to address multiple needs is Victoria’s Aboriginal community.

Meanwhile, a number of external demographic and economic factors are now putting further pressure on the system. Victoria’s population is projected to rise from 5.5 million in 2010 to 7.3 million by 2031, significantly increasing demand for community services. This demand means that all those organisations involved in delivering community services will need better forecasting capabilities to align services with the areas of emerging need.

Economic pressures include a more constrained fiscal environment, increasing costs of services and rising labour costs (driven in part by the 2012 Fair Work Australia decision to award increases to low-paid workers in the social and community services sector). Other workforce pressures include retention, training and performance management of staff. There is insufficient recognition that many CSOs are now significant community employers, grappling with how to use their limited resources in the most productive manner.

Collectively, these challenges present opportunities to improve the system in three broad areas: how it improves outcomes; how it is funded; and how it operates.

Improving outcomes

In the current system, programs frequently focus on the immediate presenting problem, instead of taking a holistic view of what else is going on in an individual’s life. This approach can overlook significant underlying problems and catalyst issues, especially when there are multiple sources of disadvantage. It can also be more expensive (due to significant duplication and unnecessary servicing) and less effective than an integrated approach. Putting ‘people at the centre’ marks an important change in approach.

At present, services are often designed and organised in bureaucratic silos, more for the sake of administrative convenience than outcome effectiveness. Programs tend to focus on solving problems after they occur, rather than intervening earlier to prevent them from developing. It is widely accepted that it costs more to focus on treatment, rather than prevention. In future, the system must aim to have a broader focus along the spectrum of support, including early intervention. It should help people to build the long-term capabilities they need to take on a greater role
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in managing their own life. Government funding needs to become focussed on investment in prevention rather than expenditure on crisis management.

Today’s system has a greater focus on inputs and outputs, rather than outcomes. Inputs direct attention to processes, not results. Outputs are easier to measure but they only tell us the product of an intervention, such as the number of services provided. Outcomes capture the extent to which a service has achieved its intended results, by improving the lives of individuals, families or the community. They are critical. Unfortunately they can be difficult to measure.

In future, it will be important to shift to a longer-term outcomes focus. This will require considerable effort. In particular, the system will need to develop new and innovative models of funding and service provision so that it is possible to measure and recognise when good results are achieved. It must provide incentives to ensure that the best outcomes can be delivered across the system. One of the key challenges for public service agencies will be to move from cost-based program evaluations to measurement of the full social impact of government interventions.

Improving how the system is funded

Over many years, the number of programs funding community services has increased steadily, making the government’s funding pools more complex. Although specialist programs are valuable in their own right, their cumulative impact creates an additional administrative burden both for the public service and providers. Today, more than 5,000 activity-level service agreements are funded by DHS alone. In 2011-12, the two CSOs receiving the largest share of DHS funding received more than 500 separate grants each. Many of these also access funding from other State agencies, Commonwealth and/or local government authorities. Although the Victorian Government now has a standardised funding agreement and work is underway to simplify the tendering and reporting processes for CSOs, it will be of limited benefit unless it is supported by a more fundamental consolidation of programs.

Another source of complexity is the structure of most current funding models, which are based around grants or service agreements. Unless these models change, people will be forced to ‘fit’ into services rather than the other way around. Different funding models are needed.

Further compounding these problems is the fact that governments across all jurisdictions are encountering difficult financial conditions. Expenses increasingly outpace revenue. This has created a tight fiscal environment that will persist in response to economic volatility and demographic change. While government and CSOs have always had to be prudent with limited resources, the current environment is unsustainable. Many CSOs are exploring alternative sources of funding, including social finance, to both reduce pressure on government and increase their sustainability.

Improving how the system operates

Efforts to improve how the system operates are vital. The main issues to address are: lack of clarity and sometimes duplication in ‘who does what’; barriers to collaboration within government and between sectors; operational pressures facing service providers, particularly CSOs; and too little opportunity for marginalised individuals to regain control of their lives.

Inevitably there are trade-offs. The delivery of public services necessitates high standards of accountability. Governments who are held accountable must prudently manage the risks in their delivery of programs and services. Yet too often the government focuses on managing compliance and not performance. An undue emphasis on process leads to unnecessary red tape. Most important, it stifles innovation: CSOs find themselves moulded to a standardised template rather than encouraged to find new and more productive ways of doing things.

This reform is an opportunity to consider who currently does what and why, and how that could be improved in the future. It is important to think about how to improve the efficiency of the operational and administrative tasks that underpin service delivery, sometimes called the ‘business of the business’. At the same time, new digital technologies offer the potential to engage and empower people in the community services system, and it is timely to consider how best to use this opportunity.
3.2 What will the future system look like?

Ultimately, reforming the community services system is an opportunity to impart long-term change, so that the system focuses more on people, rather than programs. It is a chance to look at reforming governance arrangements. Elected governments need to set policy and establish budget parameters but provide greater opportunity for public service agencies and CSOs, working in partnership, to be innovative in delivering the desired outcomes. The private sector too, may have an increasing role to play.

The goal is simple - to achieve the best outcomes for vulnerable and disadvantaged people in Victoria. With this in mind, DHS set out five principles in *Human Services: The case for change*. These are:

1. **People are at the centre of everything we do.**
   We take all of our clients’ life circumstances into account and work with individuals and families to improve their outcomes. We recognise the diversity of our clients and are guided by their needs and choices.

2. **People in need should have access to the right support, provided in a cost-effective way.**
   Supporting clients to lead independent and meaningful lives by building their capabilities is the long-term goal.

3. **All parts of the community services system should work together.**
   By aligning and integrating the human services system we can reduce duplication and focus on shared outcomes for our clients.

4. **A skilled workforce is key to a more integrated system and to better client outcomes.**
   Our workforce should have the skills, tools and the right accountabilities to support clients to improve their lives.

5. **Victorians who access our services will be valued, respected and treated fairly at all times.**

Similar principles have underpinned related reforms in areas such as community mental health, alcohol and other drug services and the provision of disability support.

Such sentiments are worthy. The question is how best to design a system founded upon them. Without seeking to be comprehensive the following ten criteria seem fundamental to innovation:

- **Effectiveness** - helping move more vulnerable people out of disadvantage and assisting them to take greater control of their lives.
- **Equity** - ensuring people have access to services based fairly on their needs.
- **Cohesiveness** - delivering a simpler experience for people and providers.
- **Collaboration** - building strong partnerships between government, public service agencies and CSOs.
- **Accountability** - with a focus on performance and social impact, based on prudent management of risk.
- **Sustainability and affordability** - ensuring that as demand grows and changes, new approaches to funding are examined.
- **Supportive of service providers** - building and using their own capabilities and allowing them to contribute to program design.
- **Efficiency** - getting the most out of available funding, with an emphasis on preventative interventions.
- **Responsiveness** - ensuring programs can be adjusted to changing circumstances.
- **Flexibility** - allowing programs to be delivered in different ways, responding to the particular circumstances of places, communities and individuals.

Developing a system based on these criteria would represent a positive change that could significantly improve outcomes for the people of Victoria, particularly those who are in need of assistance.
4 Pathways to the future

There are multiple pathways to a reformed community services system, ranging from creating more collaborative forms of program design and implementation, putting people at the centre of service delivery, adopting different funding models, or addressing current pockets of ineffectiveness and inefficiency. However, no single change can fix the entire system. For example, adopting client-direct funding helps people to procure services that are highly tailored to their specific needs. It enables a more holistic and participative approach for individuals but it does not necessarily make the system more efficient.

To address the wide range of challenges facing the system, reform will need to take an integrated and comprehensive approach. If we always do what we’ve always done, we’ll always get what we’ve always got. Improvement alone is not sufficient: we need to look for innovation.

In this section, 11 possible pathways for reform are considered. To encourage a range of perspectives, there is intentionally some overlap in the issues covered. The pathways have been selected based on their suitability for the Victorian context, their potential to achieve meaningful change and their alignment with the principles and objectives of the reform agenda. For each pathway, a brief description of how it could work is provided, including examples where relevant, plus a list of specific questions to prompt discussion.

The 11 pathways reflect three broad themes:

**Improving outcomes**
1. Put people at the centre of service delivery
2. Focus more on supporting people to build their capabilities
3. Develop place-based approaches
4. Recognise and reward good outcomes

**Improving how the system is funded**
5. Consolidate government funding programs
6. Adopt different funding models
7. Explore the range of social finance opportunities

**Improving how the system operates**
8. Change ‘who does what’ in the system
9. Make the system more collaborative
10. Make the system more effective and efficient
11. Use digital technology to empower people and CSOs.

Each pathway includes a number of specific questions. Feedback is welcomed on these. Your views are also sought on broader issues relating to reform such as:

A. What works well in the system and why?
B. What could work better and why?
C. What elements of the current system would you want to retain?
D. What would you most like to change?
E. What are the most important things to get right?
F. Do you agree with the principles and criteria for reform set out in Section 3.2? Is anything missing?
G. What do you see as being the respective role of government, public service agencies, CSOs, and of individuals accessing services?

These questions may help to address a dilemma which lies at the heart of creating a more effective and sustainable community services system: namely, how best can government, working with stakeholders, use its influence and funds to encourage an on-going process of public and social innovation?
4.1 Improving outcomes

Pathway 1: Put people at the centre of service delivery

The current focus of the community services system is to address a person’s or family’s immediate area of need, rather than take a broader view of what is needed to improve their lives in the longer-term.

The existing system is also fragmented and complex, making it difficult for people to navigate and find the support they need. Although there has been a shift towards a client-centred approach, more can be done to put people at the centre of service delivery.

Approaches that put people at the centre include, but are not limited to:

- **Involving individuals in the planning and production of services.** This ensures that services are tailored to the specific needs of the beneficiaries. It also creates a partnership between service professionals and the individuals they support. In Victoria, one example is CoDesign Studio, a social enterprise that works with communities to design and implement neighbourhood improvement projects.

- **Building on the capabilities of the sector’s workforce to take a holistic approach.** This means educating the workforce to support the individual, rather than simply fulfil an activity. It involves recognising the lifelong impact trauma and exclusion may have, as well as strengthening cultural competence. With this greater appreciation for the individual, workers can help deliver better outcomes.

- **Designing people-centred services.** This means organising services around the needs of people rather than programs. Similarly, joining government and community services so that there is one common access point that puts the focus on people, rather than jurisdictions, departments or programs. In Victoria, such an effort is already underway through DHS’ Services Connect initiative.

As more CSOs develop ‘wrap-around services’ and the Services Connect approach becomes embedded in practice, it is appropriate to consider what the next phase of ‘joined up’ and ‘people-centred’ service delivery should look like.

(Another way to put people at the centre is to give funding to individuals rather than service providers. This is addressed in Pathway 6: Adopt different funding models.)

**Feedback is welcomed on these questions:**

1.1 What barriers get in the way of putting people at the centre of service delivery?

1.2 What needs to change to put people at the centre of the system instead of focusing on programs?

1.3 What organisational approaches and workforce capabilities are needed to achieve this – in CSOs, in public service agencies or in government policy?

1.4 What models of partnership and coordination would help create a more people-centred system?
Pathway 2: Focus more on supporting people to build their capabilities

The current system focuses on immediate support and stabilisation. While these will always be required, the emphasis on crisis response should not come at the expense of programs that help a person build strengths and capabilities. There are potentially major gains in providing improved support to people who are most able to re-engage in work, training or education and to start self-managing more aspects of their life.

The system should also focus sufficient effort on preventing disadvantage from occurring. It needs to deliver an integrated suite of services that give people and families the assistance, skills and capabilities they need to move out of dependence. In particular we need to consider how to avoid the entrenchment of intergenerational disadvantage.

For some people, support might mean learning how to manage their finances better. For others it might be improving parenting skills, tackling drug and alcohol problems, finding low-cost accommodation or increasing access to education and job training. In many cases it will involve enhancing access to universal services, particularly around health and education.

Different stages of support will be required to build capability. It will start with early intervention initiatives that provide immediate assistance and resources. However, longer term support should build an individual’s capabilities based on their existing strengths and aspirations. This can help people to:

- manage the services they require wherever possible, and be in the system only when needed
- be connected to and engaged with their community
- participate in the labour market.

Victoria already has some great individual examples of capability-focused services. For example, Youth Foyers provide safe and secure housing, support and training for young people who are homeless or at risk of becoming homeless so they can stay in education, keep healthy and achieve their work goals. The Transport Accident Commission’s (TAC) Independence Model has established a holistic strategy to align the TAC and their clients, plus attendant care, occupational therapy and other community providers to transition clients to stable post-injury independence.

The issue is how, and to what extent, the system should focus greater effort on building long-term capabilities in the future, recognising that this does not replace the need for immediate support for people in urgent need. This requires achieving the right balance between responding at once to crisis situations or providing statutory intervention and delivering more holistic services over the longer-term. Getting the balance of support right should mean that over time, more people and families will be able to build their capabilities and depend less on government programs.

Feedback is welcomed on these questions:

2.1 Where would capability-building initiatives have the greatest impact on improving outcomes for people and families?
2.2 What could the system do better?
2.3 How should one balance the need to support people’s immediate needs with the imperative to build their capabilities?
2.4 What would need to change in the system to make it easier to manage the trade-offs?
Pathway 3: Develop place-based approaches

Disadvantage tends to be clustered in certain geographic areas and can be entrenched in some locations over multiple generations. Place-based approaches offer tailored services based on an understanding of the needs of people living in a particular location. Place-based planning reflects demographics and local risk factors to identify what services will be required and to locate prevention and intervention services where they will be most effective.

A range of place-based approaches are possible, including:

- **Devolution.** Governments may assign both funding and management of funding to local authorities or organisations on the basis that they are best placed, due to local relationships, to know what services will make the greatest beneficial impact to the lives of people in that community.

- **Integrated place-based planning.** Given accurate data and analysis on future demand, public service agencies and CSOs can plan an integrated set of universal services at a local level, covering prevention, crisis response and longer-term intervention. At the system level, data and analysis can inform decisions on resource allocation, including redirecting resources to areas of most need.

- **Community or regional economic development.** While economic development falls outside traditional community services, giving individuals improved job opportunities – by offering appropriate training and capability development programs – is one of the best ways to prevent or minimise poverty-related disadvantage.

Australia has many positive experiences of place-based approaches showcasing innovation and better outcomes. However, making more use of place-based approaches would have significant implications for both government and CSOs. Implications include: a need for stronger local capabilities relating to planning and delivery; changes to funding, reporting and accountability; different operating models; different relationships between key stakeholders; and changes to how risk is managed. It requires greater flexibility in the design and delivery of programs.

(Area-based funding, a type of place-based approach, is discussed in Pathway 6: Adopt different funding models.)

**Feedback is welcomed on these questions:**

3.1 Where are place-based approaches already being applied successfully in the system, and what factors make them successful?

3.2 What changes are needed to align people-based and place-based approaches in the system?

3.3 What roles should different stakeholders (for example, CSOs, public service agencies, local government, community advocates) have in delivering effective place-based approaches?

3.4 What are the main risks of using flexible, place-based approaches and how can they be mitigated?
Pathway 4: Recognise and reward good outcomes

Community services provide both immediate and long-term support to people. However, the current system does not effectively measure or recognise the longer-term impact of services on client outcomes. This makes it challenging to assess how effective services are and how best to allocate resources. As a consequence, funding sources remain tied to process oriented outputs and do not support more innovative approaches to improving service delivery results.

Ideally, the system should measure outcomes – the extent to which an activity, service or program has improved the lives of individuals, families or the community. For example, measures might reflect access to stable housing, completion of school, improved parenting skills, more productive employment or increased community engagement. In practice, however, outcomes are hard to measure in community services so the system often reverts to measuring outputs – the product of an activity or intervention, such as the number of services provided.

The challenges associated with measuring outcomes in community services have been widely discussed. For example, the Australian Research Alliance for Children and Youth published a 2009 report 'Measuring the outcomes of community organisations'. It identified a number of barriers to measuring outcomes, including:

- the diverse range of clients, programs and services that influence outcome measurement
- the need to address a range of complex social issues
- a system that is in a constant state of change
- many outcomes that can only be assessed in the long term
- links between intervention and outcome and impact that are not always straightforward or definitive.

A key issue for government is developing better metrics to measure outcomes over the long-term, rather than simply evaluating immediate costs and benefits. This would help government to assess the real net benefit of government support for vulnerable people.

Despite these challenges, many individual organisations, peak bodies and governments are actively trying to improve outcome measures. Two examples in Victoria are the Services Connect pilots, which employ a tool called the 'Outcomes Star' and the Go Goldfields Alliance, which uses outcomes measurements to track progress against literacy and employment efforts.

The key issues to address for the future are (i) the existing level of commitment to recognising and rewarding good outcomes at a system-wide level and (ii) what to do to improve it. This potentially requires: developing a common framework of outcomes measures, having a greater focus on (and funding for) research and evaluation and changing to contractual and reporting arrangements that recognise and reward service delivery that is having a genuine impact on individuals, families and communities.

(Outcomes-based funding is discussed in more detail in Pathway 6: Adopt different funding models.)

Feedback is welcomed on these questions:

4.1 How realistic is it to re-focus the community services system around outcomes?
4.2 Where in the system is an outcomes focus most, or least, appropriate and feasible?
4.3 To what extent is it possible to provide better measures of the outcomes of government expenditure on services (for example, assessing the social returns on public investment)?
4.4 If there was better data on outcomes, what would be the most effective ways to recognise and reward positive outcomes?
4.5 How would an outcomes-focus foster (or potentially hinder) innovation and/or sharing of best practice?
4.2 Improving how the system is funded

Pathway 5: Consolidate government funding programs

The community services system delivers hundreds of government-funded programs. Specialist occupations have developed to respond expertly to particular social needs, including sexual assault and drug and alcohol counselling, family assistance, outreach and disability support.

Specialisation has delivered many gains that the system cannot afford to lose. However, a by-product of specialisation has been a focus on programs and not people; on particular needs rather than the interrelationship of multiple disadvantage. It has also resulted in a duplication of administrative effort for both the government and providers. As an example, DHS currently manages over 5,000 activity level agreements for around 1,000 organisations. Many of these organisations receive funding from a number of sources, requiring them to report against a large number (in some case more than 30) different funding streams.

Although the intent behind each new program is good, their combined effect creates a burden on the system and community resources. Specific challenges include:

- Service providers have to deal with greater complexity and inconsistency, and spend more time applying for funds.
- Inconsistent administration and burdensome reporting requirements, focused more on process compliance than outcome performance.
- Higher administrative costs and complexity both for public service agencies and contracted CSOs.
- Narrow scope of funding pools which makes them less able to meet changing needs.
- Fragmented funding that can lead to bureaucratic silos and in some situations result in duplication, reducing value gained from the most effective staff.
- Contract administration which focuses more on the implementation of specific programs rather than on overall outcomes.

More flexible funding can be achieved in a number of ways. For example:

- Similar programs could be grouped or merged, to allow broader and more flexible funding pools, without necessarily changing the range of services that are delivered.
- Programs could be redesigned to take a holistic view of the needs of people.
- Funding could be redirected from programs that are no longer effective to those that are working best.

Feedback is welcomed on these questions:

5.1 What are the major benefits for CSOs or service users of consolidating program funding?
5.2 What are the major challenges or risks associated with consolidating program funding?
5.3 Are there types of services that consolidated program funding would work best or poorly for?
5.4 What is needed to minimise the impact and maximise the benefit of consolidating program funding?
Pathway 6: Adopt different funding models

Historically, the most common approach to government funding has been via grants or payments to individual service providers, so they can deliver specific services to a certain group of people. This can lead to people needing to ‘fit’ services, rather than services fitting them or being designed around communities.

There has been growing interest in alternative funding models to determine the right mix of services to offer, and which organisation is best placed to deliver different services. Potential funding models include, but are not limited to:

- **Client-directed funding.** This is giving people greater control of the services they choose to use and who provides them. It includes direct payments so clients may purchase services themselves or vouchers so clients can redeem services of their choice. This type of funding has become popular in the disability services sector, including in Victoria through Individualised Support Packages. A challenge is ensuring clients have sufficient information and support to navigate available services and make well-founded decisions.

- **Outcomes-based funding.** Providers are paid based on outcomes achieved, rather than activities or processes completed. This is also known as payment-by-results. An example of this approach is Job Services Australia which employs outcomes-based pricing to focus providers on getting people in jobs. In this example, funding was redirected over time to those providers that achieved the best outcomes.

- **Consortia-based funding.** This is where the government provides funding to a consortia of providers responsible for deciding together how they will provide a range of different services to specific clients. Typically, providers within the consortia operate across services (for example, disability, alcohol and drug, community mental health) and work together to deliver the right combination and balance of services to individuals.

- **Area-based funding.** This is where the government provides funding based on geographic areas and local authorities are responsible for deciding how to meet the needs of their residents. Funding can then be highly tailored to the specific needs and values of the community. A Victorian example is the Go Goldfields Alliance, which is a community-led initiative targeting the holistic needs of children, young people and their families in the Central Goldfields Shire. Funding is administered through the local government rather than individual CSOs.
Feedback is welcomed on these questions:

Client-directed funding

6.1 How far should client-directed funding be extended beyond disability services into other areas of community services (for example, aged care, community mental health, access to training)?

6.2 What information and support is required for people as they move to client-directed funding?

6.3 What is the best way to manage the trade-off between giving an individual flexibility to make his/her own decisions and ensuring they use funds for their intended purpose?

Outcomes-based funding

6.4 In what areas is outcomes-based funding most appropriately provided?

6.5 Are there areas in which outcomes-based funding is unrealistic?

Consortia-based funding

6.6 What is needed to make consortia work effectively and to ensure accountability? Does government have a role in the creation of consortia?

Area-based funding

6.7 How can one manage the risk that an area-based funding approach generates, specifically that communities may have different approaches and different outcomes?

6.8 What is needed to share best practice (including building capabilities) between communities?
The majority of funding for many CSOs now comes from governments, supplemented by fundraising, endowments, philanthropy and corporate support. However, CSOs face increasing financial pressures, including: limitations on government expenditure; increasing demand for services and complexity of need; and rising labour costs.

Many CSOs will continue to rely on their traditional funding sources. For others, the social finance market offers the possibility of additional sources of funding, particularly where there is a potential income stream (for example, in social housing). Many CSOs have already started to explore social finance. It is estimated that there are now 20,000 social enterprises in Australia, which trade in pursuit of a surplus that can be devoted to their mission.

A number of organisations are now developing with the support of the social finance market, for example, Goodstart Early Learning which provides early childhood services across Australia. Goodstart Early Learning is a not-for-profit organisation owned by four charitable organisations – The Benevolent Society, Mission Australia, the Brotherhood of St Laurence and Social Ventures Australia. Goodstart Early Learning secured a diversity of finance (from government and the private sector) to enable it to purchase over 600 child care centres. Surplus generated through its operations are reinvested in the organisation.

Social finance is a broad-ranging term for approaches to investment and financing that deliver a social return as well as a financial dividend. Examples of social finance include (but are not limited to):

- **Social enterprises** - not-for-profit organisations that trade, with income reinvested in their mission. Social Traders is a social enterprise development agency supporting new social enterprise activity in Victoria. Social Ventures Australia, Social Enterprise Finance Australia and Foresters Finance have been funded by the Commonwealth Government to offer loans to newly developing social enterprises.

- **Micro-finance** - a small loans approach, often interest free, for people on a low-income. An example is the No Interest Loans Scheme (NILS) with Good Shepherd in Victoria.

- **Payment-by-results contracts** - where governments pay on the basis of outcomes delivered by CSOs (and other providers). Performance bonuses may be offered.

- **Bonds** - where the social finance market provides up-front funding to a social enterprise in the form of a loan, or equity for initiatives that focus on prevention and on which the government agrees to pay on the achievement of outcomes. Successful delivery of the contract allows the enterprise to pay a return to the investor. Examples include the development of Social Benefit Bonds in NSW focusing on out-of-home care and recidivism, in which Mission Australia, The Benevolent Society and Uniting Care Burnside are active proponents.

- **Asset building strategies** - where finance is provided to not-for-profit community organisations to increase their asset base. For example, they can purchase their premises, with the aim of reducing long-term rental costs and provide collateral for future finance. Foresters Community Finance is an example of this approach.

- A mix of investment, government and other funding sources can be used to create a tailored financing arrangement (similar to a public-private partnership).

While there is a broad consensus that social finance is creating new and exciting opportunities (including larger sources of flexible funding to CSOs and social enterprises), further evidence is required to confirm its benefits and downsides. New forms of financing are intended to complement more traditional forms of government funding and philanthropy.
Feedback is welcomed on these questions:

7.1 Where is ‘social finance’ currently being used successfully in Victoria and what characteristics influence success?
7.2 What opportunities and challenges might arise from the range of social finance initiatives that are emerging?
7.3 What should be the role of government in facilitating further uptake of social financing?
4.3 Improving how the system operates

Pathway 8: Change 'who does what' in the system

Roles and responsibilities in the current system – 'who does what' – have evolved over time and continue to change. In some instances, there is no clear policy rationale for 'who does what' across different service types. For example, public housing is mainly provided by DHS while out-of-home-care is mainly delivered by CSOs. In some cases, 'who is responsible for what' is not sufficiently clear, leading to duplication of functions, potential gaps in service delivery and a lack of coordination between planning and service delivery. In other cases, government performs roles (for example, access screening or eligibility assessments) primarily for historical reasons, even though other organisations may be better placed to do this. These inefficiencies and overlaps ultimately have a detrimental impact on people needing support.

It is appropriate to revisit 'who does what'. 'Who' covers a range of organisations – government, public service agencies, CSOs and the private sector. 'What' concerns the different roles those organisations play in two parts of service delivery: policy, design and implementation; and provision. Provision consists of:

- helping people access the system and determining eligibility
- identifying the full range of people's needs
- planning (with the person) how the needs will best be met
- delivering the agreed services
- monitoring progress, reviewing plans and reporting on outcomes.

At the policy, design and implementation level, the main issue is how best to open up these processes beyond government departments. In Victoria and more broadly, the provision of policy advice is becoming more contested with the emergence of approaches such as 'Collaborative Governance' or 'Network Governance'. In addition much policy implementation is increasingly being contracted out to third parties.

At the service provision level, the main issue is where and how much government departments should continue to be involved in the different stages of service provision, or whether existing CSOs or other new organisations are better placed to do this work. In some situations, government has an important ongoing role that may not easily be transferred to other organisations, particularly in statutory services or in remote areas.

Feedback is welcomed on these questions:

8.1 What needs to change to make current roles and responsibilities more seamless and effective?
8.2 What additional roles could CSOs play in policy design and what benefits would this bring?
8.3 How should government's role in service provision differ by program, service need or geography?
8.4 Are there any parts of service provision which government should not transfer to CSOs?
8.5 As roles change and/or new stakeholders enter, what challenges will this create?
Pathway 9: Make the system more collaborative

Increased collaboration offers many opportunities to deliver better outcomes for people. Collaboration is needed between government agencies, between government and CSOs and between CSOs themselves. Opportunities for collaboration include: evidence-based policy informed by all the parties involved in community services; more integrated service delivery with reduced duplication; increased innovation and sharing of best practice; and increased effectiveness, efficiency and accountability based on shared outcomes.

Over time, the importance of collaboration has grown as government has increasingly contracted CSOs to deliver community services and the system has become more specialised and fragmented. There has also been a greater recognition of the need to support people and their families holistically. In many cases, multiple programs need to integrate seamlessly and no single service delivery organisation has the capacity and capability to provide the full range of services needed. In these cases, collaboration is essential.

This has been long recognised in Victoria. Collaboration already occurs in many parts of the system. Examples include the introduction of a ‘partnership’ model for DHS funding in 1999. There are also numerous examples of CSOs working together to deliver services or improve their administrative arrangements. This is a positive approach. However much more needs to be done.

Genuine challenges and barriers exist to collaboration. CSOs have too often been perceived by public service agencies as outsourced providers, rather than collaborative partners. This can lead to a focus on process compliance rather than performance. It can also be hard to measure the benefits of collaboration – which, ideally, should be based upon a calculation of the full returns on investment, rather than a slice of the short-term benefits based on the current program funding structures. Collaboration requires a different mindset and different skills, as well as new contracting and reporting approaches.

If social innovation is to be encouraged, collaboration must be a stronger feature of the system, not an optional add-on. The issue is not whether, but where, to what extent and in what ways the system itself should embed collaboration.

**Feedback is welcomed on these questions:**

9.1 Where does increased collaboration have the greatest opportunity to improve outcomes for people and their families?

9.2 What are the barriers to having greater and better collaboration in the Victorian community services system?

9.3 What can government do to improve collaboration between public service agencies and CSOs, and where would it make the most difference?

9.4 To what extent can public service agencies and CSO providers become partners (or ‘co-producers’) in the design and delivery of government programs and services?
Pathway 10: Make the system more effective and efficient

The community services system is a significant part of Victoria’s economy. It employs a large number of people across a wide range of organisations. Although the primary purpose of funding this system is to provide services to people, many operational and administrative tasks are required to keep organisations running smoothly. These activities are sometimes called ‘the business of the business’.

Community sector organisations are under operational pressure for a range of reasons, including increased:

- regulatory burden, particularly related to contract arrangements
- reporting and compliance burden
- staff attraction and training costs
- challenges of staff retention
- expectations and accountability
- pressures on financial sustainability.

These pressures can actually divert important resources away from achieving the best possible outcomes for people.

Efforts to improve ‘the business of the business’ can also make the system more effective and efficient. In the short-term, this improvement allows a greater share of resources to go towards services rather than operational and administrative tasks. In the long-term, it will make the overall system more sustainable.

Although individual organisations continually focus on improving their operations, systematic reform is also valuable. This can be led by government (for example, common accreditation, monitoring and review standards developed by DHS or the common funding agreement developed by the Office for the Community Sector), or by the sector (for example, VCOSS’ Training and Development Clearinghouse, or Queensland’s industry-led proposal to establish a Community Services Industry Body).

The community services system includes a number of relatively small organisations. There are around 120,000 organisations in Victoria’s not-for-profit sector, ranging from large and diversified ‘businesses’ to micro-organisations staffed exclusively by volunteers. Many small organisations are highly effective at the level of local communities, and as in the private sector, many have a propensity to innovate. There may be opportunities for these organisations to rationalise – not perhaps through mergers, but by operating as consortia, implementing shared services or sharing best practices.

Partnerships between providers (for example, sharing administrative support personnel) can also help share best practice. They can help address the fragmentation of the system, including the trade-off between the benefits of local knowledge that smaller organisations can bring, and the benefits of scale that allow larger organisations to manage their operations more efficiently.

Feedback is welcomed on these questions:

10.1 What is the scale of the benefit you would expect from reducing ineffectiveness and inefficiencies in the current system?

10.2 What parts of the system should be left alone, either because they are working well or because recent changes are still being bedded down?

10.3 What is the opportunity for improving operations through partnerships between multiple service providers, and what is stopping this from happening more frequently today?

10.4 To what extent is a ‘rationalisation’ of Victoria’s not-for-profit sector necessary? If so, in what form?
Pathway 11: Use digital technology to empower people and CSOs

Digital technology – particularly the internet, smartphones and social media – is already transforming many areas of society and the economy. It is changing everything from how organisations engage with their customers to how they run their operations. It alters the balance of power between individuals and organisations, and has the capacity to empower people. It can increase the diversity of options available to those who need support and build networks of individuals able to share information and improve decision-making.

Although it is important to acknowledge that access to some digital technologies (for example, the internet) is limited for some disadvantaged people in Victoria, it is equally true that access has been increasing dramatically as prices fall and technology becomes more widespread. For example, for some people who are homeless, a mobile phone may be the main way they keep in touch with support services, friends or family. Australia has one of the highest smartphone penetrations in the world giving more people access to the internet.

Increasing the use of digital technology is a powerful concept. Over the coming years, advances in digital technology will have far reaching implications for community services. From improving back office functions to transforming frontline services, technology has significant potential to make a real difference. Perhaps most importantly, digital technology can empower people who use community services and the organisations that deliver them. The impact could be as individual as voice-activated wheelchairs, or as broad as building capabilities to enable a more digitally inclusive society; as analytical as using data to identify young people at risk of violence in school, or as personal as supporting social networking to build connectedness. Digital technologies can enable organisations or individuals to have more say in the design of services they deliver or use and allow service users to create communities of interest.

Making the most of these opportunities will require both innovation and change – in how services are designed and delivered, in how service delivery organisations are run and in what funders are willing to support. There will also be challenges, particularly around issues of privacy, equity and trust. Such issues are critical when engaging with vulnerable people and with providing services online generally.

Much of the innovation will and should be driven from the ‘bottom-up’. The community services system needs to be focused on digital technology opportunities and prepared for the changes and challenges it will bring.

Feedback is welcomed on these questions:

11.1 To what extent is ‘e-government’ a reality in the community services system?
11.2 How and where could digital technology be used to further empower people and families who use community services?
11.3 What is holding the system back from embracing digital technology in a much bolder manner?
11.4 How can government, public service agencies and CSOs together build the capabilities they need to facilitate increased use of digital technology for beneficial social impact?
11.5 What are the trade-offs, challenges and risks associated with a greater focus on digital technology?
Having your say

This discussion paper is intended to begin a strategic conversation around how best to improve the delivery of Victoria’s community services. This conversation is an opportunity for you or your organisation to share your ideas on the specific issues raised in this paper and, more broadly, on the community services system’s strengths and the challenges it faces today and into the future.

Feedback is welcome from all organisations regardless of size, location or focus. Responses are also encouraged from people who use community services in Victoria.

Consultation process

You can take part in the consultation through:

- **Face-to-face consultations**
  
  There will be consultation forums around Victoria for CSOs and for people who use community services. Information about the dates, times and locations of the forums is available at [www.vcoss.org.au](http://www.vcoss.org.au).
  
  - **CSO forums** will seek feedback on the consultation questions as well as views on the challenges that exist within the system. The forums will be conducted by a facilitator and run for approximately two hours in locations across Victoria.
  
  - **VC OSS-led sector discussions** will be offered by VCOSS to its members in its capacity as a Service Sector Reform project partner.
  
  - **Service user forums** will be designed to listen to and understand stories from people who use community services, focusing on the strengths and areas for improvement in service delivery. These forums will also be held in different locations across Victoria.

- **Online and written feedback**
  
  You can provide your written feedback to the questions in this discussion paper by:
  
  - visiting [www.vcoss.org.au](http://www.vcoss.org.au) to download a submission form and submitting the form to VCOSS
  
  - submitting your thoughts in your preferred written format via email or mail to VCOSS.

The VCOSS website [www.vcoss.org.au](http://www.vcoss.org.au) will be the online centre for consultation information, submissions and discussion. If you require further information about the process, please contact VCOSS or the Department of Human Services by:

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Your contribution

Please note that you do not need to answer all of the questions posed in this discussion paper. I encourage you to focus on the issues in which you have particular expertise or interest. I’d appreciate your views, whether they are written as a tweet, a short blog or a formal submission. Please visit the VCOSS website for more information.

Your privacy

Participant information collected as part of this consultation will not be publicly available. However organisations and individuals may make their own comments and submissions public. Published responses to this consultation will not identify individual submissions.

Thank you for your participation. I give my assurance that I will seek to convey faithfully to the Minister for Community Services, the Hon. Mary Wooldridge MP, the suggestions for improvement that emerge during the consultation process.