



**Attachment  
Submission to the  
National Commission of Audit**

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# Introduction

This submission responds to the Commission of Audit's Terms of Reference by suggesting improvements to the scope, efficiency and functions of the Commonwealth Government's current funding arrangements to social services. The submission responds to three main areas:

1. Clarifying the roles and responsibilities of the Commonwealth and State/Territory Governments;
2. Reducing expenditure and
3. Improving effectiveness and efficiency.

The members of Catholic Social Services Australia (CSSA) deliver a wide range of social services to over one million people including vulnerable children, families experiencing relationship challenges, people with mental health issues, people with disabilities, people who are homeless, indigenous people, people who are seeking asylum and people who are refugees. With 60 member agencies across urban, rural and remote areas of Australia, the CSSA network employs over 10,000 staff. Around 70 per cent of members' funding comes from Commonwealth, state and territory governments (around 25 per cent directly from the Commonwealth and around 45 per cent from State and Territory Governments).

Communities in Australia face a range of social challenges:

- The ageing of the population means that by 2050 there will only be 2.7 people of working age to support each Australian over 65, compared to 5 working aged people in 2010 and 7.5 in 1970<sup>1</sup>
- In 2007, one in five adults had a mental disorder in the last 12 months (3.2 million people) and almost half of the population will experience a mental disorder sometime in their life;<sup>2</sup>
- In 2012, 40 000 children were living in out of home care and this number has doubled since 2003;<sup>3</sup> and
- In 2011, 105 000 people were homeless, 25% of these were Aboriginal and Torres Strait Islander people and 30% were born overseas.<sup>4</sup>

Entrenched social problems can have long term effects on individuals, government budgets and society at large. According to a recent Productivity Commission working paper, there are three types of costs - foregone production (including income from employment), spending on 'regrettables' (spending in response to avoidable disadvantage) and lower quality of life.<sup>5</sup>

Effective social services can reduce these costs. As a result these social services can be seen as an investment in the future. For example 76% of CSSA clients receiving Family Support Services reported improved family, community and economic engagement.

Government involvement in social services can be justified on two grounds — social and economic. The 1996 National Commission of Audit suggested that government funding is needed to meet community expectations around social objectives such as a more even distribution of income and the provision of assistance to those generally in need. Programs that improve the position of the most disadvantaged or reduce inequality in outcomes such as health, education or income are also designed to improve equity

There is also an economic (or economic efficiency) case for some social services. By improving participation in education, training and employment, many social programs make a contribution to both participation and economic productivity. One example is programs that work with at risk families with young children. There is evidence that early childhood interventions can reduce the likelihood of problems in later life such as joblessness and criminal offending.<sup>6</sup>

CSSA members provide services that represent a form of ‘social infrastructure’. As with physical infrastructure such as roads and railways, well placed investments in social infrastructure and services can improve participation in the economy and reduce the burden on other services, health services being a case in point.

The next sections outline CSSA’s response to the three focus areas.

## **Clarifying the Roles and Responsibilities – Commonwealth and State/Territory Governments**

The Intergovernmental Agreement on Federal Financial Relations establishes the framework for the Commonwealth’s financial relations with the States and Territory Governments. The National Partnership Agreements that sit under it provide clear roles and responsibilities for the levels of government involved and ensure that the appropriate level of government are accountable for the outcomes achieved and the services delivered. These arrangements recognise that the State and Territories have large expenditure responsibilities and limited capacities to raise the revenue required to deliver services that they are responsible for.

CSSA agrees that it is important that the Commonwealth Government is not unnecessarily involved in activities which other levels of government have accountability. However, any changes to further define roles and responsibilities in areas where there are blurred lines of accountability need to be anchored to the

principles in the Intergovernmental Agreement on Financial Relations Framework. Specifically, any changes in accountability that mean a shift to another level of government for service delivery must be accompanied by access to adequate resources.

CSSA members deliver services under several of the six existing National Partnerships. CSSA notes that the National Partnership Agreement on Homelessness will expire at the end of June 2014. Homelessness services delivered through funding under this agreement are a critical part of the social infrastructure that supports Australia's most vulnerable people. CSSA urges the Commonwealth Government to ensure that States and Territories will continue to have access to adequate funds to be able to deliver services that they are responsible to deliver.

CSSA also believes there is a clear role for the Commonwealth Government to deliver on pensions and allowances. Whilst acknowledging that the investment by the Federal Government in pensions and allowances is considerable – we urge caution in the treatment of cuts to measures that, in many instances, provide a safety net to people most in need in our community. Too often budgetary cuts are made easily to programs that affect people who have few alternatives.

## **Reducing expenditure**

Part of the social or equity case for social services is improving life opportunities for the most disadvantaged in the community. When it comes to decisions about what government should or should not do, those who are least able to provide for themselves should have priority. This is implied by the Commission's terms of reference: *"Government should do for people what they cannot do, or cannot do efficiently, for themselves, but no more"*.

This principle implies that if cuts have to be made, cuts that affect outcomes for the most disadvantaged should be a last resort. Catholic social teaching holds that the most important measure of the success of our community is the manner in which we direct our resources to assist those most in need. As a Catholic organisation, CSSA applies this principle in evaluating any change to government policy.

CSSA member's experience is that it is much more expensive to deliver services to rural and remote communities compared to communities in cities or regional centres. However, communities in rural and remote areas often have greater need for services such as counseling or family relationships services. Expenditure allocation should consider geographical location of the clients when determining costs.

CSSA recommends that Governments should exercise caution when introducing or extending the use of market-like mechanisms into social services to avoid creating perverse incentives. CSSA suggests the Commonwealth Government should be particularly wary of the manner in which it extends the outsourcing of social services. The ultimate goal for the Government in pursuing this trend should be to build and/or

sustain high standards of service for clients. International experience suggests that the fall-out of outsourcing to local government structures without sufficient investment is detrimental to clients and as a result, communities.

## Improving effectiveness and efficiency

CSSA members are keenly aware of the obligation to deliver value for money and actively work towards continual improvement. From our experience we suggest some of the areas that could be investigated to improve effectiveness and efficiency include:

1. **Ensuring the needs and preferences of clients are considered.** According to the 1996 Commission of Audit one of the principles behind effective programs is that “Generally, clients are in the best position to judge how their needs can best be met. Programs must be responsive to client preferences and seek to maximise client choice between service deliverers.”<sup>7</sup>

Most social services help people to provide for themselves. For example, family relationship services teach people skills and techniques they can use to deal with problems in their relationship; they do not impose a solution to family dysfunction.

Because it is up to clients to do most of the work that leads to outcomes, it is usually more effective to work with the service client’s preferences than against them. For example, enhancing clients’ choice and control is part of the successful Housing First model for homeless people with mental illness.<sup>8</sup> Rather than making access to housing conditional on participation in rehabilitation services it allows participants to choose when to use these services.

Another program that harnesses client preferences in order to improve effectiveness is the Individual Placement and Support (IPS) model for placing people with severe mental illness in employment. The model takes advantage of the fact that many people with mental illness want to work but often avoid participating in existing vocational programs that ignore their preferences.

2. **Preventing problems and intervening early.** Failure to intervene early to prevent disadvantage from becoming entrenched can lead to increased spending on crisis services, health care, income support and incarceration. According to Access Economics, the value of benefits from intervening in childhood and early adolescence in Australia is estimated to be in the order of \$5.4 billion per annum in 2010 dollars.

3. **Moving away from silos to integrated programs** for example, integrating mental health and employment services. There are proven program models that are not used as the current funding silos make it too difficult. One example is the Individual Placement and Support (IPS) model that helps place people with serious mental illness in employment. Research has demonstrated that IPS is an effective approach and the model is well regarded by both researchers and practitioners. However, the model integrates services that are usually funded by separate departments. The Department of Employment will only fund stand alone employment services, not those that are part of a mental health service.

This problem is not unique to Australia and there is a growing international literature on service integration.<sup>9</sup> This is an area the commission should consider as an opportunity for improvements in effectiveness and efficiency.

Another problem related to poor integration is how value for money is measured. As Bolton and Savell point out in a report for Social Finance, often the future savings from prevention do not accrue to the department that funded the program.<sup>10</sup>

When social services are effective, the outcomes are rarely confined to one government department's portfolio responsibilities. An effective mental health program, for example, may lead to a person finding employment or an effective employment program may result in an improvement in a person's mental health.

One way to avoid defunding cost effective programs and improve the efficiency of government is to adopt a whole of government approach to valuation.

4. **Removing unnecessary red tape** such as multiple tender processes, short term funding agreements and data requirements can create a more efficient funding arrangement. CSSA understands that the Minister for Social Services, Kevin Andrews, has already proposed solutions to some of the problems of red tape for social services providers. Governments can also help service providers work more effectively by focusing on outcomes rather than processes and allowing flexibility in program guidelines and funding agreements. Training for public servants in contract management could also assist a more streamlined approach to oversight of agreements and potentially free up time for research or evaluation.

An example of unnecessary red tape is that all non-public sector employers with 100 or more employees are required to report every year to the Workplace Gender Equality Agency. For our larger members this report adds to the cost of administration but adds nothing to the services received by their clients.

- 5. Outcomes frameworks and associated service delivery design.** There are increased opportunities for the sector to have input into the development of outcomes frameworks. This could include representation on to committees and decision-making round tables, for example members from a rural and regional context.

Rather than telling service providers what to report on, Governments could provide expertise to work with social service providers about what would be useful and how to gather it. Peak bodies could be supported in this role to assist with this activity. Engagement with research bodies needs to be stronger so we are clear on what we're gathering, how, why and what we'll do with the data. For example, post code tracking of purchase of services in a similar way economists can track purchases.

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<sup>1</sup> The Treasury 2010 *Intergenerational Report* Pviii

<sup>2</sup> Mental Health Council 2013 *Statistics on Mental Health Fact Sheet* <http://mhca.org.au/fact-sheets/statistics-mental-health-fact-sheet>

<sup>3</sup> Australian Institute of Health and Welfare 2013

<sup>4</sup> Homelessness Australia - <http://www.homelessnessaustralia.org.au/index.php/about-homelessness/homeless-statistics>

<sup>5</sup> McLachlan, Rosalie; Gilfillan, Geoff & Gordon, Jenny (2013) *Deep and Persistent Disadvantage in Australia*, Productivity Commission staff working paper, Canberra.

[http://www.pc.gov.au/data/assets/pdf\\_file/0007/124549/deep-persistent-disadvantage.pdf](http://www.pc.gov.au/data/assets/pdf_file/0007/124549/deep-persistent-disadvantage.pdf)

<sup>6</sup> Heckman, James & Masterov, Dimitriy (2007) 'The Productivity Argument for Investing in Young Children' s Lecture given as the T.W. Schultz Award Lecture at the Allied Social Sciences Association annual meeting Chicago, January 5-7, 2007 [http://jenni.uchicago.edu/human-inequality/papers/Heckman\\_final\\_all\\_wp\\_2007-03-22c\\_jsb.pdf](http://jenni.uchicago.edu/human-inequality/papers/Heckman_final_all_wp_2007-03-22c_jsb.pdf)

<sup>7</sup> National Commission of Audit (1996) Report to the Commonwealth government, June 1996

<http://www.finance.gov.au/archive/archive-of-publications/ncoa/coaintro.htm>

<sup>8</sup> Tsemberis, Sam; Gulcur, Leyla; Nakae, Maria; (2004) 'Housing First, Consumer Choice, and Harm Reduction for Homeless Individuals With a Dual Diagnosis', *American Journal of Public Health*, Vol. 94, Issue 4.

<sup>9</sup> Gold, Jennifer & Dragicevic, Nevena, 2013, *The Integration Imperative: Reshaping the Delivery of Human and Social Services*, KPMG, Mowat Centre, <http://mowatcentre.ca/pdfs/mowatResearch/92.pdf>

<sup>10</sup> Bolton, Emily & Savell, Louise (2010), *Towards a new social economy: Blended value creation through Social Impact Bonds*, Social Finance, London

[http://www.socialfinance.org.uk/sites/default/files/Towards\\_A\\_New\\_Social\\_Economy\\_web.pdf](http://www.socialfinance.org.uk/sites/default/files/Towards_A_New_Social_Economy_web.pdf)