

29th June, 2000

Mr Peter Loney, MP
Chairman,
Public Accounts and Estimates Committee,
Level 8, 35 Spring Street,
Melbourne VIC 3000

Dear Mr Loney,

I am pleased to enclose a submission by MacKillop Family Services to the Public Accounts and Estimates Committee inquiry into the Department of Human Services (D.H.S.) Service Agreements. Our submission is based upon my presentation at the recent Catholic Social Services forum, "Government Contracts in Health and Welfare". It should be read in conjunction with a second submission by our organisation in conjunction with other community service organisations operating in the Barwon South Western Region (forwarded separately).

I would note that whilst the Inquiry indicates its focus on service agreements, the range of the terms of reference implies a broader question, namely: "What should be the nature of the relationship between community service organisations and Government in the research, planning, funding, review and evaluation of social services across the state?" In this regard, the timing of the Inquiry is most opportune.

In the event that any part of this submission requires further clarification, I am happy to speak with members and officers of the Committee, as is appropriate. Again, thank you for the opportunity to make this submission.

Yours sincerely

Paul Linossier
Chief Executive Officer

1. Context

A key tenet of Western democratic societies is the notion of the collective responsibility for both those who have reduced opportunities and/or insufficient skills or abilities to participate in the society. Across the world, and within various political ideologies, there are greater and lesser degrees of subscription to this notion. Nonetheless all Western democratic communities provide significant and complex interventions into the "normal lives" of communities and families with a view to improving the quality of life for its citizens.

From the outset we should acknowledge: Firstly, the provision, administration and resourcing of a substantial public health and welfare system is a most complex and challenging task. Secondly, notwithstanding the size of the public health and welfare system within the national economy, it remains a significantly under-developed industry or sector operating at well below the resource, training and infrastructure levels commonly accepted in commerce, public administration and industry. Thirdly, change and reform are not to be rejected for opposition's sake and we must constantly look for opportunities to renew and strengthen service outcomes and service systems.

At an international level, the popular cry is that the Welfare State has been found wanting and that new models of social support, community building

and service provision relevant to the social, political and economic realities of the current age need to be found. Underpinning the "marketisation of welfare" has been the complete absence of any dialogue, let alone broad agreement, between Government (at its various levels), communities and community sector organisations regarding the broad vision for our society and a consequent vision for how the community services sector might contribute and develop.

In Victoria the last decade has witnessed an unshakeable belief in the power of the "market" to ensure an effective and efficient service delivery system. Implicit in the notion of a market model of public administration is that competition between potential service provider organisations, and indeed between communities, would ensure quality services. This model, when applied in a sector where there is a monopoly purchaser and considerable subsidy of services (which are core or statutory responsibilities of Government) and where there is significant under-development as noted above, is clearly misfounded.

Ultimately, whatever model or variation of social compact is applied to our context, it must acknowledge that a just, inclusive and vibrant society is comprised of many layers and streams of community(s). These communities are both the very life blood and tissue of a healthy society and robust democracy. As a Catholic Agency, we would strongly affirm that the biblical notion of justice is unforgiving in the sense that it allows no latitude to leave some out of the social equation. The timing and focus of this inquiry gives us a unique opportunity, not simply to engage in minor contractual redevelopment, but to revisit the broad social contract between Government and community organisations regarding respective responsibilities in the task of building just, healthy and inclusive communities.

2. MacKillop Family Services

MacKillop Family Services was formed on 1st July 1997 from the amalgamation of the works of the following Catholic child, youth and family welfare agencies:

Christian Brothers

Christian Brothers Child Youth and Family Services including:
St Augustine's Adolescent & Family Services, Geelong
St Joseph's Homes for Children, Flemington
St Vincent's Boys' Home, South Melbourne.

Sisters of Mercy

Mercy Family Care Centre, North Geelong
St Vincent's de Paul Child and Family Service, Black Rock

Sisters of St Joseph

St Anthony's Family Service, Footscray
St Joseph's Babies & Family Service, Glenroy

Each agency has had a long history of service to children, young people and families throughout the Victorian community, with current areas of operation including Melbourne's Western, Northern and Southern suburbs and Geelong.

Currently MacKillop employs some 300 staff (about half being full time and half part time or casual), with the assistance of more than 350 volunteers, including 119 foster families.

Total expenditure in 2000/2001 will approach \$15 million, with about 83% of total income derived from government sources. 75% of our income from Government comes from the Department of Human Services with 90% from the Community Care Division and 10% from Disability Services. The following comments emerge largely from this experience.

3. Early Expectations of Service Agreements.

Our organisation's first experience of Funding and Service Agreements emerged in the mid to late 1980's. At the time the Sector was divided between those who saw the new Service Agreements as a rational tool that would clarify, for the first time, the full extent of funding body expectations and community service organisation responsibilities in the provision of funded services. As I recall, the earliest documents were deliberately non-enforceable, their intent was to clarify expectations and responsibilities, believing that clarity might lead to ownership of both expectations and responsibilities and ultimately to a stronger and more effective service system. Community service agencies who welcomed the advent of the tool generally argued that the "Agreement" should have legal standing that was binding on both parties because of prior experience of Governments or bureaucracies readily withdrawing from arrangements as they became less desirable for whatever reason. The second view was that Funding and Service Agreements of any shape significantly compromised agency autonomy, representing an unwelcome intrusion of the state into the governance, identity and operation of private or community organisations.

As Agreements have evolved over time, and particularly as the core aspect (Schedule 1) has become more generalised and higher level with less direct connection to the specific services provided, both views have been found to have some substance.

The initial clarity of expectations and responsibilities which emerged, though not always a perfect process, was more often characterised by dialogue and mutuality. This was eventually replaced by a process of imposition with little opportunity, until recent years, for the community services sector, through peak bodies, such as the Victorian Council of Social Services and the Childrens' Welfare Association of Victoria, to have impact to the wording of specifications of the umbrella Schedule 1.

At the same time, with Government funding representing an increased proportion of community service organisations total income, many organisations have found the imposed and prescriptive nature of Funding and Service Agreements to challenge their sense of identity and purpose. Many organisations express this as *"this organisation was established to be a vehicle for community aspirations and/or to realise our concern for the most marginalised, however we are constantly regarded by Government and*

bureaucracies as merely an extension of their own public welfare or social policy goals."

4. Attitude

There are two broad attitudes which can form the nature of relationships between the community sector and Government.

The first is a narrow, or functional, view which is operationalised through hierarchical models and which uses the crudest instruments of power and authority to ensure achievements of prescribed outcomes. In this model, community service organisations are perceived as operating at the end of a production line and are largely passive recipients of central or remote policy and service design initiatives.

The second model/attitude takes a broader, more systemic view, and emphasises the notion of partnership. That is, a number of stakeholder groups act in a broad partnership or coalition to achieve agreed common goals. These stakeholder groups would include community service organisations, State and local governments, advocacy groups and community or neighbourhood groups. Not all the goals and aspirations of these groups are identical, and indeed at times, some may be directly opposed. Nonetheless the mutuality of this model is evident as the stakeholders work together to identify the goals which they can hold in common and, in the main, work to the fulfilment of these goals.

In this model, agencies are not viewed as at the end of the production line (or being lower down the food chain) but rather are seen as key partners in achieving Government social policy objectives. The notion that common goals might need to be found does not in any way, denigrate from a particular Government's electoral mandate, nor its authority, nor its responsibility to ensure an inclusive, effective and efficient social services system. In this model Government departments invest in (rather than fund) community organisations so that they are better able to fulfil specific social policy objectives (ie care of the homeless, support of the disabled, strengthening of families), and the broad social policy objectives (strengthening of social capital, creation of healthy inclusive communities).

The narrow view tends to descend to a procedural and at worst, punitive dynamic. Our experience of this model suggests that parties go through the motions of negotiating, humouring the technical requirements, so Service Agreements are signed 50 weeks into the year in question; agencies are threatened that if they don't sign the agreement that no funding, including back pay of outstanding funds, will be forthcoming.

5. Community Service Organisation Responsibilities

If we pursue the partnership model with its emphasis upon mutuality, then it is clear that community service organisations which choose to enter into the partnership also have certain responsibilities. We cannot say that during any particular period organisations have displayed these characteristics or responsibilities more so than in another. Nonetheless, when looked at as a package they begin to form a charter or code of responsibilities which, along with resources, both human and financial, skills, experience and commitment, organisations contribute to the broader social services system. For example;

- Community service organisations should be accountable for their use of public funds and private funds;
- Community service organisations should operate within an agreed set of standards;
- Community service organisations should refuse funding where they do not believe those standards can be achieved;
- Community service organisations should support regional and collaborative planning processes;
- Community service organisations should work closely with all stakeholders to review current models and systems of care and develop better services;
- Community service organisations should be more open to external criticism when they are perceived as not delivering the reasonably expected service;
- Community service organisations should challenge each other about poor service delivery;
- Community service organisations should own their part of the "us and them" dynamic often perpetuated in the relationship between government departments and funded agencies;
- Community service organisations should actively promote open service and agency reviews in the context of a sector-wide quality assurance framework.

6. The Service Agreement as a Contracting Tool

The fundamental flaw of the current Service Agreement is that its design and processes reflect only the needs and interests of the administering department. The tool does not take into account the business and governance cycle of community organisations, nor the responsibilities of directors of these organisations, be they local community committees or larger multi-service and multi-region organisations to ensure the financial viability.

Accordingly, we find that:

- Most Funding and Service Agreement elements are standardised with little scope for individual variation;
- Other than Schedule 1, there is minimal, if any, prior negotiation with the Sector re the standardised elements;
- Funding levels are never resolved until late into the funded period;
- The actual flow of funds which arise from variations to the first Agreement come very late. Well into the last month of the current financial year, our organisation was owed more than \$1m in variations.
- Negotiations regarding the services to be provided in the financial year in question, and the level of funding to accompany those services, never starts prior to the funded period.
- For agencies which provide services over a number of regions the D.H.S. Lead Region model seems to slow the process of negotiation and funds-flow. In this regard it may well be worthwhile revisiting the Lead Region model with a view to multi-region agencies having a Service Agreement with each Region, but having a partnership liaison relationship from a whole of agency perspective, with one designated Region.
- The Western Metropolitan Region has, over the last 12 months, begun to experiment a partnering relationship, and whilst it is far too early to

judge the model, the intent or spirit of the model is worth exploring further.

- Business rules regarding the scope of service, agency service reviews and the like, need to be on the table and provided to service providers along with the Funding and Service Agreement.
- The dispute resolution process does not sufficiently provide for third party involvement, particularly where the Secretary of the Department retains the right of final decision; the opportunities to use a third party to resolve a dispute must be extensive.
- There is no allocation of funds for research or evaluation within the current service delivery frameworks.
- Funding and Service Agreements are for 12 months only, with no longer term security, despite the fact that 90% of services and funding roll over every year across the State.
- Organisations receive minimal capital funding, yet are expected to invest significantly in plant and infrastructure with no long term security regarding service provision.
- It is almost impossible to get a complete set of all relevant policies and guidelines referred to in the Funding and Service Agreement.
- New policies and guidelines can be issued without consultation and without any acknowledgment of cost or service delivery implications after the Funding and Service Agreement has been signed.
- New clauses can be inserted in Funding and Service Agreements which are purported to be binding on previous Funding and Service Agreement periods. This "retrospective legislation" effect has been used unjustly with regard to Government grants towards the purchase of residential units in the 1970's and early 1980's where unrestricted grants have been retrospectively redefined as purchasing equity in properties.
- The formulaic models of the Funding and Service Agreements and funding methods leaves little scope for innovation.
- Funding arrangements for a particular agency are not put in the context of publicly available Regional plans which are based upon a systemic approach to the addressing of agreed need. The lack of publicly available, open, participatory and transparent strategic planning by Divisions and Regions works against agency and service understanding of the systemic issues and goals
- The full cost of service is not recognised. Plant, infrastructure, information technology, training and professional development costs are rarely recognised.
- Differences between urban, regional and rural communities, in terms of service configuration and cost, are not reflected in the funding formulae.
- Service Agreements emphasise outputs not outcomes.
- Data systems are inadequate, providing minimal feedback.

7. Consumer Perspective

As indicated previously, this submission is based also upon a presentation at the Catholic Social Services forum on Government Contracts in Health and Welfare. The writer also spoke at that forum from a consumer's perspective of Government funded services. These comments are based upon personal experience rather than research and consultation with consumer families associated with MacKillop Family Services.

As a consumer of Government funded services I would anticipate that:

- Both the agency and the funding department have agreed the **standards and outcomes** for services;
- That these standards and outcomes are reviewed periodically and are in some way connected to similar standards and outcomes across similar services (as part of a **quality assurance process**);
- That **action** will be taken where standards are not being met;
- That whether I access the service where I live in the Northern Region, or where I live in the Southern Region, I will have access to **comparable funding for the same level of need**;
- That Government is providing sufficient funding for the service demonstrated by **realistic costings**;
- That there are **publicised appeals and grievance mechanisms** available to me and my family regarding the service;
- That there is a significant investment in **staff training and support**, particularly for those staff working directly with clients.

Few, if any, of the above indispensable characteristics are present in the system of services funded through the Community Care Division.

8. Conclusion

Funding and Service Agreements are merely a tool to ensure clear, transparent and accountable flow of funds between Government and its departments and community service organisations. As a tool, it should not be in and of itself a good or a bad thing. It is simply a matter of ensuring it is the right tool for the task.

In this regard Funding and Service Agreements need to be informed by a broader compact between Government and the community sector regarding their common vision, goals and responsibilities for the creation of a strong, healthy, inclusive and active Victorian community. Service Agreements which are consistent with such a compact and the implicit sense of mutuality or partnership will see Government departments on the one hand respecting the independence and separate governance of community organisations, and on the other hand, see community organisations striving to understand and to work cooperatively with Government within the agreed common goals of the partnership relationship.

The ultimate test for the effectiveness of the contracting tool and the relationship between Government departments and community service organisation will be in the outcomes of the services for service users, their families and their communities.