PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

FORTY-SEVENTH REPORT TO PARLIAMENT

REPORT ON DEPARTMENT OF HUMAN SERVICES – SERVICE AGREEMENTS FOR COMMUNITY, HEALTH AND WELFARE SERVICES

April 2002

Ordered to be printed

By Authority
Government Printer for the State of Victoria

No. 145 Session 1999-2002
# TABLE OF CONTENTS

Public Accounts and Estimates Committee  
Membership - 54th Parliament ........................................... 1

Duties of the Committee ................................................................. 3

Glossary ......................................................................................... 5

Acronyms ......................................................................................... 9

Chairman’s Introduction ................................................................. 11

Executive Summary ........................................................................ 13

Recommendations ........................................................................... 27

**Chapter 1: Inquiry in Context** .................................................. 45

1.1 Background to the Inquiry ....................................................... 45
1.2 Previous reviews ................................................................. 47
1.3 Scope of the Inquiry ............................................................... 48
1.3 The Inquiry process ............................................................... 50

**Chapter 2: Overview of the Current Framework for**  
**the Delivery, Management, Funding and**  
**Monitoring of Human Services** ............................................. 53

2.1 Introduction ............................................................................. 54
2.2 Organisational structure of the Department of Human Services ................................................................. 56
2.3 Current service agreement framework ..................................... 60
2.3.1 Commonwealth Budget .................................................... 61
2.3.2 Victorian State Budget ...................................................... 62
2.3.3 Department of Human Services’ Integrated Management Cycle ................................................................. 63
2.3.4 Service agreement structure .............................................. 68
2.3.5 Shortcomings with the current framework ......................... 70
Chapter 8: Pricing and Funding of Mandatory Statutory Services

8.1 Funding for residential care services and support
8.2 Issues raised by service providers
8.3 Subsequent developments
8.4 Discussion and recommendation

Chapter 9: Tendering and Contract Arrangements

9.1 Selection of service providers by the Department
  9.1.1 Issues raised by the Department
  9.1.2 Issues raised by service providers
  9.1.3 Discussion and recommendations
9.2 Productivity charge on service providers
9.3 Processes associated with service agreements
  9.3.1 Duration of service agreements
  9.3.2 Timeliness of service agreement processes
  9.3.3 Negotiation of service agreements
  9.3.4 Standard payments and variations
  9.3.5 Relationship between service providers and Department of Human Services Regional and Head Offices
  9.3.6 Legal status of service agreements
  9.3.7 Discussion and recommendations
9.4 Service agreement content
  9.4.1 Format, language and content of service agreements
  9.4.2 Standards and guidelines
  9.4.3 Dispute resolution
  9.4.4 Intellectual property
  9.4.5 Compliance with statutory requirements

Chapter 10: Staffing and Development Needs of Service Providers

10.1 Introduction
10.2 Key issues identified by service providers
  10.2.1 Department of Human Services’ funding and the recruitment and retention of service provider staff
  10.2.2 Staff training
# Table of Contents

10.2.3 Staff security ..............................................................256
10.2.4 Duration and delayed signing of service agreements ......................................................257
10.2.5 Organisational development needs .........................258

10.3 Measures adopted by the Department of Human Services to meet the human resource and development needs of service providers ..................261

## Chapter 11: Rural and Regional Victoria and Local Government 265

11.1 Rural and regional Victoria....................................................267
11.1.1 Introduction................................................................267
11.1.2 Funding formulae.......................................................268
11.1.3 Infrastructure and support services...........................269
11.1.4 Staff recruitment and retention .....................................270
11.1.5 Service models and requirements...............................272
11.1.6 Access to services........................................................273
11.1.7 Competitive tendering................................................274
11.1.8 Planning, funding and delivery of community services in rural and regional Victoria .................279

11.2 Local Government ...................................................................281
11.2.1 Introduction................................................................281
11.2.2 Background to the delivery of human services by Local Government .................................................282
11.2.3 The current framework: service agreements between the Department of Human Services and Local Government ..................................................284
(a) Use of single-year service agreements 284
(b) Negotiation and review ...................................................284
(c) A focus on outputs.......................................................285
(d) Equity of access to services and meeting the emerging needs of the community ........................287
(e) Promoting equity of access to services .........................288
(f) Filling service gaps.......................................................289
(g) Identifying emerging community needs.................................290
(h) Nature and use of unit costing ........................................291
(i) Training and recruitment...........................294
(j) Tendering and contracting arrangements............................295

11.3 Future directions......................................................................297
11.3.1 Coordination of responsibilities between the Department of Human Services and Local Government ......................................................297
11.3.2 Development of a State and Local Government protocol .........................................................................................298
11.3.3 Service memorandums of understanding ..................300
11.3.4 Role of Local Government in decision-making, coordination and service planning...........................................302

Chapter 12: Partnerships: Redefining the Relationship between Government and Non-Government Organisations ..........................................................305

12.1 Introduction..............................................................................307
12.2 Partnership statements: structure and associated processes.........................................................................................309
12.3 Overseas developments..........................................................311
12.3.1 England ......................................................................311
12.3.2 Canada ........................................................................316
12.3.3 New Zealand ..............................................................319
12.4 Commonwealth and interstate developments....................323
12.4.1 Queensland.................................................................323
12.4.2 Other Australian jurisdictions ..................................328
12.5 Developments in Victoria.......................................................331
12.5.1 Issues raised by non-government organisations......331
12.5.2 Development of a co-ordinated government partnership agreement...............................................................334
12.5.3 Development of a partnership agreement between the Department of Human Services and non-government organisations ..........337
   (a) Development of a partnership agreement ..................340
   (b) Establishment of a Department-wide consultative mechanism.................340
12.5.4 Furthering the partnership concept in Victoria................................................................................................341
## Table of Contents

(a) Co-ordinated Government approach .......................................................342  
(b) Resourcing the community services sector ..............................................345  
(c) Review process ................................................................................348  

12.6 Conclusion ......................................................................................349  

Appendix 1: Submissions Received ..........................................................351  

Appendix 2: List of Individuals and Organisations which gave Evidence at Hearings ..............................................357
PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE
MEMBERSHIP - 54TH PARLIAMENT

Mr P Loney, MP (Chairman)
Hon. L Asher, MP ¹
Ms A Barker, MP
Mr R Clark, MP ²
Ms S Davies, MP
Hon. D Davis, MLC ³
Hon. W Forwood, MLC ⁴
Hon. R Hallam, MLC (Deputy Chairman)
Mr T Holding, MP
Mrs J Maddigan, MP
Hon. G Rich-Phillips, MLC
Hon. T Theophanous, MLC

This Inquiry was undertaken by a Sub-Committee comprising the following Members:

Ms A Barker, MP (Sub-Committee Chairperson)
Ms S Davies, MP
Hon. D Davis, MLC ⁵
Mr P Loney, MP
Mrs J Maddigan, MP
Hon. G Rich-Phillips, MLC

¹ Discharged as a Member of the Public Accounts and Estimates Committee on 25 September 2001
² Appointed as a Member of the Public Accounts and Estimates Committee on 25 September 2001
³ Appointed as a Member of the Public Accounts and Estimates Committee on 6 September 2000
⁴ Discharged as a Member of the Public Accounts and Estimates Committee on 6 September 2000
⁵ Appointed as a Member of the Sub-Committee on 4 October 2000
Staff:

Executive Officer: Ms M Cornwell

Assistant Executive Officer: Ms F Essaber

Principal Research Officer for the Inquiry: Dr C Williams

Office Manager: Mrs C Walker

The following additional staff provided research assistance with several chapters of the draft report:

Ms S Raman (from 1 February 2001 to 15 June 2001)
Mr M Holloway; and
Mr T Wood

Specialist Advisers: Associate Professor N Ryan and Dr K Brown from the Queensland University of Technology provided advice on interstate and overseas developments with funding of community and welfare services.

Committee’s contact details:

Address: Level 8, 35 Spring Street
Melbourne Victoria 3000

Telephone: (03) 9651 3556
Facsimile: (03) 9651 3552
Email: paec@parliament.vic.gov.au
The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the Parliamentary Committees Act 1968, as amended.

The Committee comprises ten Members of Parliament drawn from both Houses of Parliament and all political parties and includes an Independent Member.

The Committee carries out investigations and reports to Parliament on matters associated with State financial management. Its functions under the Act are to inquire into, consider and report to the Parliament on:

(a) any proposal, matter or thing connected with public administration or public sector finances;

(b) the annual estimates or receipts and payments and other budget papers and supplementary estimates of receipts and payments presented to the Assembly and the Council.

In consultation with the Auditor-General, the Committee determines the objectives of performance audits and identifies any particular issues that need to be addressed during these audits.
<table>
<thead>
<tr>
<th><strong>Glossary</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Activity</strong></th>
<th>A specific and distinguishable unit of the work performed by an organisation.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benchmarking</strong></td>
<td>A process of systematically measuring and comparing the products, services and practices of an organisation – internally and externally – and adopting best practice.</td>
</tr>
<tr>
<td><strong>Compact</strong></td>
<td>Otherwise known as an accord, partnership statement or agreement that details how parties will relate to one another and contain common elements including: a statement of shared vision, principles to guide the relationship, mutual undertakings for parties and provision for a subsequent phase of implementing more specialised codes of conduct.</td>
</tr>
<tr>
<td><strong>Competitive tendering</strong></td>
<td>The process of selecting a preferred supplier from a range of potential contractors by seeking offers (tenders) and evaluating these on the basis of one or more selection criteria.</td>
</tr>
<tr>
<td><strong>Compulsory Competitive Tendering (CCT)</strong></td>
<td>Where agencies were required under the Local Government Act 1989 to introduce competitive tendering to specified services or to a specified level of expenditure.</td>
</tr>
<tr>
<td><strong>Contracting out</strong></td>
<td>An arrangement whereby an agency enters into a contract with an external supplier for the delivery of services which have previously been provided internally. Contracting out does not necessarily involve seeking competitive bids.</td>
</tr>
<tr>
<td><strong>Effectiveness</strong></td>
<td>The extent to which program outcomes or stated program objectives are achieved.</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td>The maximisation of outputs for a given level of inputs. Efficiency is concerned with the processes by which a service is provided.</td>
</tr>
</tbody>
</table>
Inputs
Human and other basic resources used to produce program outputs.

Objectives
Concise, realistic, outcome-oriented statements of what the program or service aims to achieve. Objectives must be stated in a way that clearly communicates what is to be achieved and measured.

Outcomes
The impact of a service on a client or community.

Output based purchasing
A funding model that is based on the products of outputs of a funded service, rather than the processes used to provide a service.

Outputs
Measurable direct results of activities provided to external clients, such as products and services.

Outsourcing
See Contracting out.

Partnership
In the context of human services, the term partnership is used to describe a collaborative working relationship between government and non-government organisations, within the bounds of their respective roles and accountabilities.

Performance indicators
Quantitative and qualitative information used to assess how successfully objectives are being achieved.

Performance information
Evidence about performance that is collected and used systematically to enable judgements to be made on the extent to which desired outcomes are being achieved. Such information can be quantitative or qualitative in nature and include a balance of efficiency and effectiveness measures.
Performance measures
Predetermined measures of quantity, quality and timeliness used to describe how many, how well, when or how frequently the outputs that the Government intends to fund will be delivered.

Performance targets
See Targets.

Purchaser provider split
A distinction between the purchaser of a service (agency) and the service provider (supplier). The purchaser, in the context of this report, generally is a public sector agency, while the provider may come from the public, private or not-for-profit sectors. In some cases, the purchaser/provider split may also be established within an agency, where the Head Office or policy areas of the Department purchases services from divisions or regions.

Quality
Relates to the characteristics by which an agency’s services are judged by clients and government. In its broadest sense, quality incorporates assessment of outputs and outcomes from the perspective of those key interest groups.

Quality assurance
An activity that provides independent review of a product or process to ensure appropriate quality standards are met. Standards are usually determined by peak and professional organisations or may be in the form of directions, guidelines or manuals developed by departments or central agencies of government. Quality assurance proves useful in the selection and evaluation of tenders and also provides a means of ensuring standard outputs.
<p>| <strong>Risk management</strong> | The systematic application of management policies, procedures and practices to the tasks of identifying, analysing, assessing and monitoring risk. This process includes quantifying and making order of actual and potential risks and their associated losses, and developing management strategies to minimise the impact of these risks. |
| <strong>Service agreement</strong> | A contract between the department and another entity. Under this contract, the department provides public funds to purchase direct services for individuals or groups in the community. |
| <strong>Standards</strong> | Pre-defined levels of excellence against which performance can be measured. Standards can relate to the quality and objectives of a service or to aspects of service delivery, and can be set at different levels. |
| <strong>Targets</strong> | Quantifiable performance levels or changes in the level of performance to be attained at a future date. Targets enable a direct judgement to be made of performance and can be used to clarify and simplify the process of monitoring. |
| <strong>Unit Cost</strong> | The cost of all resources consumed in the production of an output or unit, together with the cost of the resources used by activities supporting the delivery of the output. Examples of units include hours of service or the number of beds occupied. |
| <strong>WIES</strong> | Weighted inlier equivalent separation: the single unit of purchasing for acute inpatient services. |</p>
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACOSS</td>
<td>Australian Council of Social Service</td>
</tr>
<tr>
<td>BHCG</td>
<td>Bendigo Health Care Group</td>
</tr>
<tr>
<td>CCT</td>
<td>Compulsory Competitive Tendering</td>
</tr>
<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
</tr>
<tr>
<td>CWAV</td>
<td>Children’s Welfare Association of Victoria</td>
</tr>
<tr>
<td>DHS</td>
<td>Department of Human Services</td>
</tr>
<tr>
<td>DPC</td>
<td>Department of Premier and Cabinet</td>
</tr>
<tr>
<td>EOC</td>
<td>Episode of Care</td>
</tr>
<tr>
<td>FASA</td>
<td>Funding and Service Agreement</td>
</tr>
<tr>
<td>HACC</td>
<td>Health and Community Care</td>
</tr>
<tr>
<td>HSA</td>
<td>Health Service Agreements</td>
</tr>
<tr>
<td>IEMHSA</td>
<td>Inner East Mental Health Services Association</td>
</tr>
<tr>
<td>ILAP</td>
<td>Integrated Local Area Planning</td>
</tr>
<tr>
<td>IMC</td>
<td>Integrated Management Cycle</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>MAV</td>
<td>Municipal Association of Victoria</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of understanding</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full Form</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>MRP</td>
<td>Management Reform Program</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-government organisation</td>
</tr>
<tr>
<td>QCOSS</td>
<td>Queensland Council of Social Service</td>
</tr>
<tr>
<td>RCTI</td>
<td>Recipient created tax invoice</td>
</tr>
<tr>
<td>RDNS</td>
<td>Royal District Nursing Service</td>
</tr>
<tr>
<td>SAMS</td>
<td>Service Agreement Management System</td>
</tr>
<tr>
<td>VCOSS</td>
<td>Victorian Council of Social Service</td>
</tr>
<tr>
<td>VHA</td>
<td>Victorian Healthcare Association</td>
</tr>
<tr>
<td>WIES</td>
<td>Weighted inlier equivalent separation</td>
</tr>
<tr>
<td>WRAD</td>
<td>Western Region Alcohol and Drug Centre</td>
</tr>
</tbody>
</table>
CHAIRMAN’S INTRODUCTION

This report represents the findings of the largest Inquiry undertaken by the Public Accounts and Estimates Committee. The response from individuals and organisations, particularly in regional areas, far exceeded our expectations and highlighted a number of issues with the current arrangements for contracting out community, health and welfare services in Victoria.

These are not problems unique to Victoria, but rather, issues that governments and community organisations throughout Australia, and around the world are grappling with as they struggle to find new and hopefully better ways to address community, health and social problems.

Our report has identified a number of challenges and opportunities for both the Department of Human Services and the community services sector. There are substantial issues to be addressed by all parties if the many initiatives outlined in our 53 recommendations are to improve the planning, administration, financing and accountability of community, health and welfare services. The Committee is confident that the implementation of its recommendations will address many of the critical policy and administrative matters.

The Committee believes that the challenge is for the community services sector and the Department of Human Services to work together to ensure a service agreement outcome that will achieve their common goal of serving the community.

In compiling this report, the Committee has drawn heavily on the material and views presented by a large number of people through submissions and public hearings. The Committee would like to place on record its appreciation and thanks to the Department of Human Services, and the many service providers and peak community, health and welfare groups, including VCOSS, who prepared detailed, candid and thoughtful written submissions, and also gave evidence at public hearings. Collectively their
contribution has been invaluable in assisting us to understand the issues.

I thank my colleagues on the Sub-Committee (Ms Ann Barker, Ms Susan Davies, Hon. David Davis, Mrs Judy Maddigan and Hon. Gordon Rich-Phillips) for their efforts in undertaking this complex Inquiry. I particularly want to recognise the significant contribution made by Ms Barker as Chairperson of the Sub-Committee.

I also wish to acknowledge the Public Accounts and Estimates Committee's secretariat for the high quality of its assistance and support throughout the Inquiry, and in particular, the contribution made by Dr Caroline Williams, the principal research officer for this Inquiry. All Members of the Committee acknowledge the hard work and commitment of Dr Williams.

I commend our report for your consideration.

Peter Loney, MP
Chairman
Chapter 1 - Inquiry in Context

Victoria was the first State in Australia to embark on extensive reform of funding and contracting arrangements for community, health and welfare services, moving from funding decisions based on historical allocations and submissions to service agreements. Service agreements were introduced in the mid 1980s in the health sector and in the late 1980s in the community services sector with the intention of redefining the relationship between funding agencies and service providers as primarily a contractual one.

There have been several significant developments regarding Victoria’s funding and contracting arrangements for human services over the last ten years, including:

- the introduction of compulsory competitive tendering of Local Government services in 1994 and its subsequent abolition in 1999;
- the introduction of the Government’s Management Reform Program including an output-based funding focus in 1997;
- the development of a Service Agreement Management System designed to provide service agreement information and administrative support, implemented in 1997-1998; and
- the Government’s policy of a “partnership” approach to human services in 1999.

The description and evaluation of outputs remains a predominant feature of service agreements.

In 2001-2002, the Department of Human Services will purchase $5.8 billion of services from public hospitals, metropolitan health services, nursing homes operated by public sector agencies, local government, community health centres, ambulance services and a
range of non-government organisations providing mainly welfare services.

Service agreements and funding arrangements in the human services sector have been the subject of previous reviews by both the Victorian Auditor-General (1994, 1997, 1998, 1999 and 2000) and the Public Accounts and Estimates Committee (2000). Recurring themes appear in the Auditor-General’s reports, including concerns about the adequacy of performance standards and monitoring mechanisms, delays in the signing off of agreements and the need for measures to ensure the financial accountability of non-government organisations.

In response to these significant issues for the Government, service providers and clients, the Committee appointed a Sub-Committee to inquire into the delivery, management, funding and monitoring of community, health and welfare services in Victoria that are subject to service agreements with the Department of Human Services.

The Sub-Committee consisted of Ms Ann Barker, MP (Sub-Committee Chairperson); Ms Susan Davies, MP; Hon. David Davis, MLC; Mr Peter Loney, MP; Mrs Judy Maddigan, MP; and Hon. Gordon Rich-Phillips, MLC.

The Sub-Committee received 160 written submissions and took evidence from 134 witnesses in Melbourne, Brisbane and five regional centres in Victoria – Bendigo, Echuca, Wodonga, Sale and Geelong.

Chapter 2 - Overview of the Current Framework for the Delivery, Management, Funding and Monitoring of Human Services

The Department of Human Services is responsible for the delivery of acute health services; aged and mental health services; disability services; housing; public health services; community services; and rural health services. In 2001-2002, the Department has a total Budget of $7.9 billion, representing approximately 35 per cent of the State's operating expenses. The organisational structure of the
Department is based around functional divisions and geographic regions.

The Department’s Integrated Management Cycle (IMC) describes and organises the planning, specification, funding and monitoring process for service provision by non-government organisations. However, at the commencement of the 2001-2002 financial year, only 30 per cent of service agreements had been signed off by the Department of Human Services and service providers.

The Department of Human Services identified several problems with the current service agreement framework. The written submissions and evidence taken at hearings during the Inquiry suggest that the Department of Human Services’ management, funding and monitoring frameworks are very complex.

Chapter 3 - Client Rights and Service Purchaser and Provider Responsibilities

Given the magnitude of public funding of human services, it is critical that adequate accountability provisions are in place for this expenditure. Accountability in this context refers not only to financial accountability but also the performance of service providers.

While accountability mechanisms are important, they should not place unreasonable cost burdens on service providers in complying with the Department of Human Services’ requirements. A number of service providers receive funding from sources other than the Department of Human Services and therefore must also meet the accountability and reporting requirements of those sources. The information generated from accountability requirements should also be useful for future planning purposes.

Service providers expressed concern about the role and rights of clients in the service system, the adequacy of performance measures, and measurement of service quality.

The Department of Human Services’ submission reiterated the Government’s strong commitment to ensuring that the rights of
clients are protected and promoted. The degree of involvement by service providers in the planning processes of the Department was variable.

The Committee considers that more emphasis should be given to client involvement in the planning of services by providers.

The process by which the Department of Human Services collects data from service providers was identified as a concern by both parties. The Department cited problems with internal management information systems, the reliance on paper based systems and data quality. In some cases providers do not have adequate computer facilities. Service providers reported that the data collection processes lack consistency, are administratively complex and, in many cases, do not appear to have a clear purpose.

Regarding financial accountability measures, the Committee found that service providers from 2001-2002 (except those providing children’s services) receiving up to $200,000 in funding do not have to provide evidence, apart from an annual report to the Department of Human Services, that they expended grant funds according to the terms and conditions of the service agreement. Children’s service providers that receive less than $200,000 from the Department, must provide a higher level of accountability than that required of other providers that receive similar funding but deliver different services.

Chapter 4 - Use of service agreements in other States, Territories and overseas

The arrangements for the funding of human services in Australia are complex and vary across jurisdictions and programs.

Research has revealed that there is limited sharing of information about developments across Australian States and Territories regarding the funding and contracting of health and welfare services. A range of funding models has been used historically. Most States and Territories are grappling with reforms in these areas. Despite the significant reforms to the human services sector
in Australia only one study has comprehensively outlined the changing funding and contractual relationships between State and Territory Governments and community service organisations.

The Committee's brief overview of contracts and funding models in other jurisdictions found:

- a trend towards the development of standardised Government purchasing policies and procedures;
- difficulties associated with the standardisation of service agreements;
- a shift in the emphasis of contracts from community needs to the expectations of Government Departments;
- provisions for dispute resolution are not well developed;
- problems relating to competitive tendering of human services; and
- a general trend towards more stable, three-year funding regimes.

Chapter 5 - Access to Services, Service Gaps and Emerging Needs

Service planning is a complex process that extends beyond a technical exercise based on the estimated needs of a community that is expected to benefit from assistance. Rather, features of service provision – such as the structure of the services system and the effectiveness of interventions in achieving desirable outcomes – must be central to any system of planning.

The Department of Human Services advised that issues of equitable access to services, service gaps and emerging needs are not confined to the process of specifying and negotiating service agreements, but affect the overall policy and planning framework of the Department.

The Department of Human Services also advised that one of its main approaches to ensuring equity of access to services is to apply equity formulae to funding. However, the Committee found that historical funding allocations are still being used in addition
to equity formulae. Equity formulae are, in some cases, applied to growth funding only. The Department also uses other processes for identifying service gaps and emerging needs including Government policy, research and evaluation and advocacy from the community.

Inquiry submissions raised three categories of issues with the planning of human services in Victoria:

- involvement in the planning process;
- operational aspects of service planning; and
- timeliness of the service planning process.

Service providers suggested a comprehensive and strategic approach to planning rather than the current focus on direct service delivery.

The Committee was advised that a Department-wide consultation mechanism, as well as formal regional and program consultative mechanisms, will be established. Several equity formulae are also under review.

The Department of Human Services, in consultation with non-government organisations, needs to expand its operations to include a comprehensive service planning process that:

- actively engages both service providers and clients;
- is holistic, rather than confined to individual departmental divisions; and
- incorporates any planning information generated by service providers such as Local Government.

Chapter 6 - Number and Type of Service Agreements

The type of contract used by the Department of Human Services depends on factors such as the value and nature of the goods, works or services being purchased; the nature of the provider organisation; and the relationship between the Department and the provider.
The range of contract types created difficulties for providers, particularly those with multiple contracts.

**Chapter 7 - Unit Costing**

The framework for the State funding of human services delivered by service providers has a fundamental impact on the relationship between the Government and non-government organisations, how providers within the non-government sector relate to one another and, ultimately, the nature and quality of services delivered to clients.

The basis on which the Department of Human Services has formulated its unit costs has generated considerable debate in Victoria. The Department has statutory duty of care obligations to deliver services such as child protection placement and support services and a significant interest in the delivery of other human services (such as pre-schools and family counselling). It also advised the Committee that it has a responsibility to fund service providers at a reasonable level for the services it expects from providers. The Department advised the Committee of several proposed changes to the funding framework for human services.

In contrast, service providers argued that the unit price determined by the Department of Human Services does not reflect the cost of providing services and is not subject to regular review. However, in some cases, it appeared that organisations have tendered to provide services at a price too low for them to achieve the required level of service. The Committee is of the view that while the unit price was intended to cover all the agreed standard costs, it was never intended that the unit price should cover the total cost. Service providers felt that the unit prices should be open to more negotiation with the Department and that output based purchasing is sometimes prescriptive. They also noted that output based funding excludes consideration of:

- transport costs (of workers and clients);
- administration;
• infrastructure/ capital works;
• the size of service provider organisations;
• informal and complex interactions between clients and providers; and
• the evolving needs of clients over time and behavioural differences.

Many service providers stated that output based funding places the focus of a service on client throughput rather than on outcomes for clients.

Following a review of the Department of Human Services in 1999, the relationship between the Department and service providers was reorientated towards a partnership arrangement. The Department of Human Services explained that it may take some time for the new consultative and collaborative approach to human services, envisaged by the Government, to be implemented.

Chapter 8 - Pricing and Funding of Mandatory Statutory Services

The Department of Human Services has conducted a financial viability study of residential services for children and young people in protective care. The Committee notes that the Government allocated additional funding to protective services in the 2000-2001 and 2001-2002 State Budgets.

The Committee is of the view that the Department of Human Services, in consultation with service providers, should conduct a review of statutory services delivered by non-government organisations to determine:

• current and future demand for services;
• the effectiveness and adequacy of current statutory service models;
• duty of care issues; and
• the level and rationale of funding of statutory services delivered by non-government organisations.
Chapter 9 - Tendering and Contract Arrangements

Previously introduced competitive tendering processes were described as inappropriate, inefficient or ineffective by many service providers and were acknowledged to be a problem by the Department.

Consequently, the Department of Human Services outlined a new funding allocation approach to replace routine competitive tendering and privatisation as the policy for community services.

Non-government organisations identified six aspects of service agreements that they felt could be improved:

- the 12 month duration of service agreements;
- the timeliness of service agreement processes;
- the negotiation of service agreements;
- payment schedules, processes and variations;
- the relationship between service providers and the Department’s Regional and Head Offices; and
- the legal status of service agreements.

The Department of Human Services advised that service agreements have a duration of 12 months because:

- the State Budget is appropriated annually;
- until the Budget is presented there is uncertainty about the amount of funding to meet growth in demand; and
- performance measures may change.

Three major reviews have recommended the introduction of three-year funding cycles.

The Department of Human Services acknowledges that its budget is over 90 per cent certain from year to year and develops three-year strategic plans. However, the Committee was advised that the Department’s capacity to develop three-year funding of service providers is hampered by the annual nature of the budget cycle.
Regarding the timeliness of the service agreement process, the Department of Human Services advised that Integrated Management Cycle targets are not always achieved. The Department also advised that there is no standard format to the negotiation of service agreements with non-government organisations.

The Committee supports the reintroduction of three-year service agreements and the implementation of business practices that ensure service agreements are signed off with providers prior to the commencement of the financial year to which the agreements relate.

The Committee is of the view that there would be merit in other Department of Human Services’ programs adopting the advice reporting system of the acute health program. It also believes that a set of business practices should be developed to ensure providers are paid in accordance with service agreement schedules. Late signing of agreements, late payments, unexplained variations to expected payments, and payments made without full accompanying explanations is a problem for service providers. In October 2000, the Department of Human Services announced measures aimed at eliminating these problems.

The principal aim of the service agreement process of the Department of Human Services is to facilitate a consistent approach to service delivery and financial accountability. Non-government organisations raised the following issues about service agreement contracts and associated documentation:

- use of language and formatting in service agreements that are difficult to understand;
- service agreement content that does not always reflect the services funded;
- the nature, status and availability of departmental standards and guidelines;
Executive summary

- the absence of an independent arbiter to resolve disputes between the Department of Human Services and service providers;
- uncertainty created by intellectual property clauses; and
- the costs associated with complying with statutory requirements in service agreements, for example, fire protection.

Chapter 10 - Staffing and Development Needs of Service Providers

A skilled and dedicated workforce is an essential component of quality human services. The Department advised the Committee that it supports the training and development needs of service providers in a number of ways, such as:

- including training and staff development costs as part of the corporate overhead component of unit costs;
- allowing for a number of staff days each year to be applied to training and development activities in the determination of staffing profiles;
- grants to hospitals to recognise the additional costs of teaching and training activities.

The Committee was advised that the Government proposes to develop a Community Sector Support and Development Framework, or industry plan, to address issues of service quality and the sustainability of the community sector.

Non-government organisations advised the Committee of their concerns about:

- the impact of Department of Human Services’ funding on the recruitment and retention of staff;
- the fact that staff training requirements are not specified in service agreements or adequately funded; and
- difficulties in offering job security to staff where there are only 12 month contracts.
Chapter 11 - Rural and Regional Victoria and Local Government

Service providers highlighted problems with the current service delivery framework in rural and regional Victoria. They were of the view that the Department of Human Services does not adequately take into account the additional costs of operating in rural and regional areas. Service providers also noted that they incur costs associated with the need for additional infrastructure. Difficulties in recruiting and retaining qualified staff, the appropriateness of some service models, lack of access to services and the negative impact of competitive tendering on services and clients were also cited as issues of concern.

However, there are some lower costs associated with service delivery in rural and regional Victoria such as the levels of rent.

The Committee noted that there is no mechanism for the Department of Human Services to monitor where services are actually delivered by service providers in rural and regional Victoria.

The Department of Human Services provides funding loadings for some, but not all, community, health and welfare services delivered in rural and regional Victoria. The Department of Human Services proposes to develop a Rural and Regional Human Services Strategy.

The Committee is of the view that the Department of Human Services should, as part of the development of the strategy:

- in consultation with non-government organisations, introduce mechanisms to ensure human service models are appropriate for rural and regional communities; and
- introduce flexibility to the way in which rural and regional service providers can use funds to respond to the needs of their diverse communities, while ensuring accountability for those funds.

In 2001-2002, the Department of Human Services had 78 service agreements with Local Government, mainly relating to home and
community care and maternal and child health programs, accounting for $146.7 million of funding. The State's 78 municipalities play a significant role in the planning, coordination, funding and delivery of human services; for example it funds 50 per cent of maternal and child health services in Victoria.

The Committee was advised that the service agreement framework adopted by the Department of Human Services does not necessarily reflect the key responsibilities of Local Government. The Municipal Association of Victoria recommended that a common planning protocol be developed for the State to ensure an agreed and consistent approach to planning for the delivery of human services in each municipality.

Given the need for more integrated delivery of Local Government and Department of Human Services’ funded services, a memorandum of understanding for child and maternal health services has been developed. Local Government expressed some reservations about the indexation of funding and the lack of detail of the memorandum. The Committee understands that a similar memorandum is being developed for services under the home and community care program. It considers that there is a clear need for such co-operative approaches between the Department of Human Services and Local Government.

Chapter 12 - Partnerships: Redefining the Relationship between the Government and Non-Government Organisations

The Government has made a commitment to work in partnership with Local Government and community service organisations.

Internationally, new relationships between Governments and community services sectors are being formally articulated in compacts, accords or partnership statements. Such a trend is in response to several factors including a move away from the extremes of economic rationalism and a growing recognition of the importance of community building and the community sector in providing human services. England, Canada, New Zealand and some States and Territories in Australia are at different stages of developing such agreements.
The Committee found that the development of accords and compacts has been a recent phenomenon and, therefore, there have not been many evaluations of the process. The Committee understands that the first annual survey of the compact in England, for example, contained mixed results. The Canadian accord was released in December 2001, after several years of formal and informal discussions between the Canadian Federal Government and the non-government sector.

Most of the developments in Australia are at early stages and vary substantially in status, scope and content from State Government/ community sector partnership agreements, (as in Queensland, Australian Capital Territory and New South Wales), to agreements between individual Government Departments and peak community services organisations (as in South Australia and Tasmania).

In Victoria, a community sector working group developed a draft statement of commitment between the Victorian State Government and the Victorian community sector. The Department of Human Services has made a commitment to develop a partnership agreement.

The Committee supports the principles of the partnership approach in Victoria. The Committee considers that the implementation of the recommendations in this report will provide a solid basis for practical outcomes consistent with those principles.
Recommendations

Chapter 3: Client Rights and Service Purchaser and Provider Responsibilities

Recommendation 3.1:

The Department of Human Services, in consultation with service providers and clients, develop and implement a comprehensive strategy that provides opportunities for client input into service planning, design, evaluation and delivery.

Page 78

Recommendation 3.2:

Department of Human Services service agreements should reflect and emphasise the importance of client service rights and include clear statements of departmental responsibilities towards service providers and clients.

Page 78

Recommendation 3.3:

The Department of Human Services review of targets and performance measures should include developing mechanisms to determine outcomes and the quality of services provided. Attention should also be given to developing performance information that relates to qualitative evaluation, accreditation and benchmarking (particularly where there are national standards available) and other methods such as random audits to provide both financial accountability and measures of effectiveness.

Page 83
Recommendation 3.4: The Department of Human Services, in consultation with service providers, develop and implement a strategy with defined timelines to:

(a) reduce the quantity, frequency, detail and duplication of data collected from service providers;

(b) improve the quality of data collected from service providers; and

(c) provide for the sharing and collection of appropriate data between the Department of Human Services and providers, and between providers.

Page 84

Recommendation 3.5: The Department of Human Services develop and provide service providers with proforma acquittal statements; and

(b) Service providers provide the Department of Human Services with an acquittal statement and audit certification to account for the funds received from the Department.

Page 88
Chapter 4: Use of service agreements in other States, Territories and overseas

Recommendation 4.1:

The Department of Human Services, when developing the future policy and legislative framework for service agreements and partnerships, consider the experiences of interstate and overseas jurisdictions with the contracting and funding of human services.

Page 128

Chapter 5: Access to Services, Service Gaps and Emerging Needs

Recommendation 5.1:

The Department of Human Services, in consultation with service providers and clients, introduce a comprehensive service planning process that:

(a) actively engages both service providers and clients;

(b) is holistic, rather than confined to individual divisions or programs; and

(c) recognises and uses the strategic information generated by service providers, such as Local Government, and information gathered through Department of Human Services service agreements.

Page 147
Recommendation 5.2:
The planning process outlined in Recommendation 5.1 culminate in the development and periodic review of the State human services strategy. The strategy should, as a minimum:
(a) review how need for human services is defined and calculated;
(b) identify current and emerging needs and subsequent gaps in the service system;
(c) evaluate the effectiveness and appropriateness of services; and
(d) provide a strategic context for the activities of service providers.

Recommendation 5.3:
As a matter of priority, the Department of Human Services move to ensure that funds in all program areas are distributed equitably according to demonstrated need and accessibility to all citizens.

Chapter 6: Number and Type of Service Agreements

Recommendation 6.1:
The Department of Human Services make publicly available information on the types of contracts/service agreements and associated processes. The criteria governing the use of various contracts/service agreements should also be detailed. This information should be regularly reviewed and evaluated with input from providers.
Chapter 7: Unit Costing

Recommendation 7.1:

The report of the Community Care Services - Viability Methodology Study be included on the Department of Human Services’ website.

Page 173

Recommendation 7.2:

The Department of Human Services details to service providers:

(a) what its overall objectives are in funding the community, health and welfare sectors;

(b) its reasons for not contributing towards or funding specific activities including:
   (i) service delivery;
   (ii) infrastructure maintenance and development;
   (iii) policy development;
   (iv) community development; and

(c) why various funding models or approaches are used for different areas of activity.

Page 173

Recommendation 7.3:

The Department of Human Services, in consultation with the non-government sector, develop a set of principles to underpin the Department’s funding of human services.

Page 175
Recommendation 7.4:  
In a statement of partnership, the Government acknowledge the financial contribution made by community, health and welfare organisations to human services in Victoria.

Recommendation 7.5:  
The Department of Treasury and Finance, in the context of the output evaluation and price reviews of Departments, review the suitability of the output based purchasing model for funding community, health and welfare services. The review should consider, but not necessarily be limited to, the following issues:

(a) the components of human services that unit costing should include or exclude;

(b) how unit costing can be structured to:

(i) accommodate clients with varying complexities of need and evolving needs over time;

(ii) facilitate the delivery of services in rural and regional Victoria;

(iii) accommodate preventative as well as ‘direct’ service provision;

(iv) preserve the plurality of non-government service providers; and

(v) promote flexible and progressive service development and delivery.
Recommendation 7.6:
The financial information contained in the service agreements relating to unit costs be enhanced by including details of the formulae that the Department of Human Services uses to calculate:
(a) unit costs; and
(b) the components of service delivery.

Recommendation 7.7:
The Department of Human Services, in consultation with service providers, develop a regular unit price review procedure and mechanism.

Chapter 8: Pricing and Funding of Mandatory Statutory Services

Recommendation 8.1:
(a) The Department of Human Services, in consultation with service providers, conduct a review of statutory services delivered by non-government organisations to determine:
(i) current and future demand;
(ii) the effectiveness, adequacy and value for money of current statutory service models;
(iii) duty of care issues; and
(iv) the level and rationale of funding of statutory services delivered by non-government organisations.
(b) The study should be conducted within the next six months and the findings publicly released.

Chapter 9: Tendering and Contract Arrangements

Recommendation 9.1:

The Department of Human Services, in consultation with service providers, consider a mechanism to confer preferred supplier status, subject to periodic review, on appropriate providers in Victoria.

Recommendation 9.2:

The Department of Human Services, in the process of revising funding methods for human services, consult with service providers on the merits and shortcomings of various selection methods.

Recommendation 9.3:

The Department of Human Services' purchasing guide be periodically revised in consultation with service providers and include:

(a) detailed criteria for the different methods of selecting providers and the decision-making process;

(b) minimum tender amounts for various human services (for example, $250,000 for acute health services), to ensure the costs of tendering do not outweigh the benefits of a competitive process;
(c) where and under which conditions competitive tendering is considered to be an inappropriate method for selecting providers; and

(d) details of the Department of Human Services’ business practices for tendering/funding processes. The business practices should ensure sufficient time for service providers to respond to calls for expressions of interest, and timely negotiation and award of tenders.

Recommendation 9.4:
The Department of Human Services reconsider its current policy of automatically passing productivity savings requirements to service providers.

Recommendation 9.5:
(a) The Department of Human Services service agreements should be for three years; and

(b) Where special conditions exist, this timeframe can be varied where there is agreement between service providers and the Department.

Recommendation 9.6:
The Department of Human Services introduce business practices that will ensure service agreements are signed off with providers prior to the commencement of the financial year to which the agreements relate.
Recommendation 9.7: The Department of Human Services revise its current service agreement negotiation process to provide for the genuine exchange and discussion of views between parties.

Recommendation 9.8: The Department of Human Services outline the scope and nature of the revised service agreement negotiation processes with service providers in the next edition of the Service Agreement Information Kit for Agencies.

Recommendation 9.9: The Department of Human Services develop and implement business practices that ensure payments to service providers are made in accordance with the provisions contained in the service agreements.

Recommendation 9.10: The Department of Human Services adapt the payment advice reporting system of the acute program for other programs.

Recommendation 9.11: The Department of Human Services:
(a) either strengthen and broaden the mandate of its Regional Offices regarding service agreements (ensuring they have the authority to negotiate service agreements directly with service providers) or
Recommendations

centralise service agreement functions; and

(b) clarify the operational relationship between Department of Human Services’ Head and Regional Offices, and advise service providers accordingly.

Recommendation 9.12:

To ensure the transparency of the process to redevelop Department of Human Services service agreement documentation, details of the consultation process and any relevant documentation be made available to service providers.

Recommendation 9.13:

(a) The Department of Human Services, in consultation with service providers, review all its service standards and guidelines with a view to consolidating this information into single documents relevant to each type of service activity and to reflect best practice; and

(b) This information should be made available on the Department of Human Services’ website and in hard copy form, be regularly updated, in consultation with service providers, and monitored by the Department of Human Services to ensure compliance by providers.
Recommendation 9.14:  
The Department of Human Services inform service providers of the release of any new or revised standards or guidelines cited in service agreements.  
Page 243

Recommendation 9.15:  
The Department of Human Services, in consultation with providers, undertake ongoing research to identify emerging changes in practices, and incorporate such practices in the service guidelines, where appropriate, and in a timely manner.  
Page 243

Recommendation 9.16:  
The Government establish an independent mediation and arbitration process for dispute resolution of Department of Human Services service agreements.  
Page 244

Recommendation 9.17:  
The Government, as a matter of priority, resolve the issue of intellectual property rights for service providers.  
Page 247

Recommendation 9.18:  
The Department of Human Services establish whether all statutory requirements (eg. legislation relating to fire protection, health standards and occupational health and safety) are being met by service providers and, where necessary, provide support to ensure all requirements are met.  
Page 249
Chapter 10: Staffing and Development Needs of Service Providers

Recommendation 10.1:
As a matter of priority, the Department of Human Services, in consultation with service providers, develop a community services industry plan.

Recommendation 10.2:
The Department of Human Services review its business practices to ensure that service providers receive, as soon as possible, funding to cover increases in employment awards relating to State funded programs.

Recommendation 10.3:
The Department of Human Services review the adequacy of funding to service providers for the employment of staff. The review should consider all costs associated with the employment of staff.

Recommendation 10.4:
The Department of Human Services conduct an audit of the training and development needs of service provider staff, including the needs of small providers and those operating in rural and regional Victoria. The audit should be conducted as a component of the industry plan.
Chapter 11: Rural and Regional Victoria and Local Government

Recommendation 11.1:

The Department of Human Services:

(a) develop criteria for determining where services are to be delivered by service providers in rural and regional Victoria; and

(b) monitor the adequacy of the coverage of human services in rural and regional Victoria.

Recommendation 11.2:

As part of the development of the Rural and Regional Human Services Plan, the Department of Human Services:

(a) review the adequacy of current funding models for human services delivered in rural and regional Victoria and publish its findings;

(b) in consultation with non-government organisations, introduce mechanisms to ensure that human service models are appropriate for rural and regional communities;

(c) develop and publish a series of guidelines that identify where competitive tendering is an inappropriate funding model for services delivered in rural and regional Victoria; and

(d) introduce flexibility to the way rural and regional service providers can use funds to respond to the needs of their diverse communities, whilst ensuring accountability for those funds.
Recommendation 11.3:

The performance of Local Government service providers and the allocation of growth funding for Local Government be regularly reviewed.

Page 285

Recommendation 11.4:

The Department of Human Services, in conjunction with Local Government:

(a) review the adequacy and the methods used to develop service agreement targets with Local Government; and

(b) develop broad social indicators that link program areas and individual program outputs.

Page 286

Recommendation 11.5:

The Department of Human Services:

(a) review, in consultation with Local Government, the adequacy of the service agreement process to respond to identified service gaps and emerging needs in a timely manner; and

(b) consider the concept of block funding to a Local Government area to enhance flexibility and responsiveness to local needs.

Page 290
Recommendation 11.6

A State/Local Government partnership protocol be formally developed between the Department of Human Services and the Local Government sector in order to recognise their joint responsibilities in delivering human services to the community.

Page 300

Recommendation 11.7

(a) The Department of Human Services, in conjunction with the Municipal Association of Victoria:

(i) review the operational impact of the Memorandum of Understanding in relation to Maternal and Child Health services with a view to enhancing this process; and

(ii) incorporate the lessons learned from the review in the development of the Home and Community Care Services (HACC) Memorandum of Understanding.

(b) The Department of Human Services consider the adoption of a Memorandum of Understanding for services fully funded by Councils, but at the direction of the State, such as public health services.

Page 302
Recommendation 11.8:
The Department of Human Services consider the development of integrated local area plans to ensure there is an agreed and consistent approach to planning for the delivery of human services in each municipality. The plan would also provide the basis for decision making within the Department regarding future funding and service directions by utilising the most accurate and detailed data on community needs as collected by the relevant council.

Chapter 12: Partnerships: Redefining the Relationship between Government and Non-Government Organisations

Recommendation 12.1:
The Government give a high priority to reviving its co-ordinated government partnership initiative to develop a uniform partnership framework applicable to all Departments that provide or fund community, health and welfare services in Victoria.

Recommendation 12.2:
The Government resource the community services sector to enable it to achieve effective participation in the development of the partnership agreement.

Recommendation 12.3:
The Department of Human Services, in the context of the Government's partnership agreement:
(a) formulate guidelines for its implementation and develop a code of practice for operational areas such as funding, consultation and service agreements;

(b) take measures to ensure that this information is widely circulated within its Divisions and Regional Offices; and

(c) organise staff training in the use of the partnership agreement.

Page 346

Recommendation 12.4:

The Government and the Department of Human Services commit funds and resources to the development of the partnership agreement.

Page 348

Recommendation 12.5:

(a) A comprehensive review process be designed with service providers to assess the implementation and effectiveness of the partnership agreement;

(b) The review process provide opportunities for adequate feedback from stakeholders and for clear targets and milestones to be achieved; and

(c) The results of the review/survey should be published and tabled in the Victorian Parliament to ensure transparency of the process.

Page 349
1.1 Background to the Inquiry

Victoria was the first State in Australia to embark on extensive reform of the funding arrangements for community, health and welfare services, with the intention of moving from funding decisions based on historical allocations and submissions to service agreements. Service agreements were introduced in the mid-1980s in the health sector and in the late 1980s in the community services sector with the intention of redefining the relationship between funding agencies and service providers as a contractual one.

Significant moves towards contracting out human services provision (without competitive tendering) began under the previous Labor Government. However, moves to compulsory competitive tendering were introduced to Local Government services under the Coalition Government in 1994. The Management Reform Program (announced in 1997) introduced an output-based management focus and Integrated Management Cycle. Early work began in 1994 on a Service Agreement Management System (SAMS) which was designed to provide service agreement information and administrative support, and it was introduced in 1997-1998. However, the Department of Human Services was still reporting that several programs were being assessed for transition to SAMS in 2000. The incoming Labor Government abolished compulsory competitive tendering in 1999 and announced a reorientation towards a "partnership approach" in 2000, to replace the previous focus on competition. The description and evaluation of services outputs remains a predominant feature of service agreements.

The output based funding model is concerned primarily with the products or outputs of a funded service. It seeks to provide a more direct link between the funding provided and the services delivered, emphasising the outputs required from a service instead of the processes used to provide that service. Payment for services delivered is based on the units of output – such as hours of service,
number of clients seen, number of beds occupied, number of courses organised – rather than the overall cost of a program.

In 2001-2002, the Department of Human Services will purchase $5.8 billion of community, health and welfare services from 2,750 community-based and church-affiliated organisations, as well as numerous private for-profit companies and State agencies. Service agreements accounted for most of that funding:

Over 85 per cent of the Department's total budget is accounted for through service agreements, and they are now the cornerstone of documenting and managing the relationship between the Department and agencies. The business and system processes required to support service agreement development and management across the Department are complex and substantial and involve more than half of [the Department’s] non service delivery staff.

The Department of Human Services describes service agreements as having the status of legal contracts whereby the Department purchases direct services from a range of organisations for individuals or groups in the community. External service providers enter into agreements with the Department to receive that funding.

According to the Department of Human Services, the service agreement process ensures it can demonstrate that expenditure by Government agencies on service delivery has the desired outcome for the community:

The principal aim of the Department's service agreement process is to facilitate a consistent approach to service delivery and accountability for financial management. The service agreement process is designed to ensure accountability for government funds spent on the purchase of services for the community from agencies. The emphasis is on accountability for services provided by agencies, and on monitoring and reporting requirements. This reflects

---

6 Mr B Prosser, Department of Human Services, 13 August 2001
7 Department of Human Services, submission no. 156, p. 35
government and departmental priorities of value for money and
quality service provision.\(^9\)

However, service providers advised the Committee that the
service agreement framework has evolved since its introduction:

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 ...\(^{10}\)

1.2 Previous reviews

The Victorian Auditor-General has extensively reported on service
agreements and funding arrangements in the human services
2000); and the performance audit on Grants and Subsidies to non-
government organisations (Special Report No. 30, 1994).
Recurring themes appear in these reports including: concerns
about the adequacy of performance standards and monitoring
mechanisms; delays in the signing off of service agreements; the
Department of Human Services entering into good faith
agreements with non-government organisations on the basis that
performance was not intended to be legally enforceable; the need
to streamline the health service agreement process; and the need
for measures to ensure the financial accountability of non-
government organisations.\(^{11}\)

In 1997, the Public Accounts and Estimates Committee undertook
an Inquiry into the Outsourcing of Government Services in the
Victorian Public Sector. Submissions to that Inquiry and witnesses
expressed considerable criticism of the arrangements for the


\(^{10}\) MacKillop Family Services, submission no. 121, p.3

funding, purchasing and delivery of community, health and welfare services in Victoria. Key issues raised concerned:

- the Department of Human Services’ lack of consultation with the community services sector and clients;
- what constituted a fair price for services provided;
- the impact of the market paradigm on inter-agency cooperation, as well as the structure of the community services sector;
- the inappropriate use of competition in the selection of service providers with efficiency taking precedence over quality and equity;
- community organisations running the risk of losing autonomy and flexibility, thereby effectively becoming ‘arms of government policy’; and
- the impact of contracting out of human services on clients and communities.

1.3 Scope of the Inquiry

The above issues have important implications for the Government and service providers, as well as for the community. The Victorian Public Accounts and Estimates Committee appointed a Sub-Committee to inquire into the framework for the delivery, management, funding and monitoring of community, health and welfare services in Victoria that are subject to service agreements with the Department of Human Services.

The terms of reference adopted by the Committee for this Inquiry required it to:

1. Review the current framework for the delivery, management, funding and monitoring of community, health and welfare services in Victoria that are subject to

---

Department of Human Services (DHS) service agreements, and in particular, as they apply to:

(a) rural and regional areas; and

(b) to local government.

2. Determine the degree to which customer service rights and service provider and purchaser responsibilities are reflected in DHS service agreements.

3. Review developments in the use of service agreements in other States, Territories and overseas.

4. Assess the impact that DHS service agreements have had on:

   (a) equity of access to services; and

   (b) filling service gaps in the community, health and welfare sectors.

5. Review the arrangements that provide DHS service agreement coverage of community, health and welfare needs, especially emerging needs for services.

6. Determine the number and type of DHS service agreements and evaluate the processes used to allocate the different types of DHS service agreements to agencies, by Head Office and regional managements.

7. Review the nature and use of unit costing contained in DHS service agreements and determine its current level of accuracy in incorporating the full range of functions provided.

8. Review the nature of pricing and funding of mandatory statutory service provision as provided by non-government agencies.

9. Review the tendering and contract arrangements for DHS service agreements and determine:
(a) whether the current arrangements are appropriate, efficient and effective; and
(b) if changes are required.

10. Determine how DHS service agreements reflect training, recruitment and retention of staff, and organisational development needs of service providers, in the community, health and welfare sectors.

1.3 The Inquiry process

The Committee advertised the Inquiry in metropolitan and national newspapers on 15 April 2000. Invitations to provide submissions were forwarded to various Ministers, the community, health and welfare providers with Department of Human Services’ service agreements in 1999-2000, peak community organisations and other interested individuals.

The Committee appointed the following Sub-Committee in June 2000 to undertake this Inquiry:

Ms Ann Barker, MP (Sub-Committee Chairperson);
Ms Susan Davies, MP;
Hon. David Davis, MLC;\(^{13}\)
Hon. Bill Forwood, MLC;\(^{14}\)
Mr Peter Loney, MP;
Mrs Judy Maddigan, MP;
Hon. Gordon Rich-Phillips, MLC.

The Committee received 160 written submissions including two submissions from the Department of Human Services. A list of the submissions received is in Appendix 1. The substantial number of submissions received makes this Inquiry the largest the Committee has undertaken, highlighting the depth of concern about the

\(^{13}\) Appointed to the Sub-Committee on 4 October 2000
\(^{14}\) Discharged as a Member of the Committee on 6 September 2000
current framework for the delivery, management, funding and monitoring of community, health and welfare services in Victoria.

The Committee conducted public hearings between September 2000 and March 2001 in Melbourne, Bendigo, Echuca, Wodonga, Sale and Geelong and took evidence from 135 people. It held a private meeting with Members of the New Zealand Social Affairs Committee. In Brisbane the Sub-Committee met with government officers, the Queensland Council of Social Service and a number of academics with an interest in community welfare issues. Members of the Sub-Committee also attended a forum for service providers under the auspices of Catholic Social Services to discuss the Department of Human Services’ service agreements. Details of the hearings are contained in Appendix 2.

The Committee thanks all those who participated in the Inquiry by appearing as witnesses, providing written submissions and assisting with the arrangements for meetings and public hearings. The work of the Victorian Parliament is greatly assisted by such community-wide participation.
CHAPTER 2: OVERVIEW OF THE CURRENT FRAMEWORK FOR THE DELIVERY, MANAGEMENT, FUNDING AND MONITORING OF HUMAN SERVICES

Key Findings:

2.1 Many of the concerns outlined in this report were identified by the Department of Human Services in a 1999 internal review. These problems were still evident during this Inquiry. Problems with the current framework for service agreements extend beyond the agreements to the Department of Human Services’ business practices, its funding models and the relationship between the Department, service providers and clients.

2.2 The administrative framework of the Department of Human Services is complex. The complexity is a result of a number of factors, including the size of the Department, the diversity of the organisations it funds, the large number of Commonwealth-State agreements and the Government’s planning, budgeting and reporting processes.

2.3 The Department of Human Services’ Integrated Management Cycle describes and organises the Department’s planning, specification, funding and monitoring processes for the delivery of services. However, there is little relationship between the policy and the practice.
Key Findings (continued):

2.4 At the commencement of the 2001-2002 financial year, only 30 per cent of service agreements had been signed off by the Department of Human Services, presenting planning problems for service providers.

2.5 The performance measures and data collection requirements outlined in service agreements require rationalisation. Service agreements in 2001-2002 had a total of 20,000 standard performance measures, reduced from 27,500 in 2000-2001.

I think the concerns the community agencies have are less about the service agreement itself than the whole process of funding. The service agreement is where they could articulate their objection - it was the end point of a process from which they felt excluded.\(^{15}\)

... the service agreements are the end point of the process. From an agency’s viewpoint they really encapsulate all the upstream departmental processes. The service specifications, performance measures and discussion and policy settings are all encapsulated in the service agreement. From an agency’s viewpoint the service agreement is seen as a problem in that it is the embodiment of a series of departmental processes.\(^{16}\)

2.1 Introduction

This chapter covers part of the first term of reference which relates to the current framework for the delivery, management, funding and monitoring of community, health and welfare services in

---

\(^{15}\) Mr S Solomon, Director, Policy Development and Planning Division, Department of Human Services, transcript of evidence, 24 August 2000, p. 4

\(^{16}\) Mr L Wallace, Director, Resources Division, Department of Human Services, transcript of evidence, 24 August 2000, p. 4
Victoria that are subject to Department of Human Services service agreements.

Health Service Agreements between the (then) Department of Health Victoria and public hospitals were first established in 1986 and represented a contractual obligation for the level and range of services to be provided for an agreed quantum of funding. Service agreements in a standardised format were introduced across all Community Services Victoria programs in the late 1980s. In August 1992, the Director-General of Community Services stated that:

From July 1992 the traditional hodge-podge of funding arrangements ... will be replaced with formal Funding and Service Agreements. These will formalise the reciprocal obligations of Community Services Victoria and each funded body. They will, as far as possible, be denominated in units of service, rather than in broad qualitative terms. The central objective is to move as far as possible toward a contractual relationship between the provider and recipient of government grants. The transition will be incomplete in a legal sense because the individual agreements will not be determined by competitive tendering, at least for the time being.

Minister Setches stated that the service agreements would provide a negotiating framework within existing policy boundaries and noted that:

Public sector management of services has increasingly stressed the need for services to be accountable for meeting goals and priorities.

By 1994-1995, a common approach to service agreements was introduced by the Department to replace the 20,000 agreements with funded organisations. By 2001, this had reduced to 2,695 agreements.

---

18 Community Services Victoria, Welfare as an Industry: a Study of Community Services in Victoria, p. xix
19 Ibid, p. vi
The Department of Human Services was established in 1996 as an amalgamation of the former Department of Health and Community Services and the Office of Housing.\textsuperscript{20} Currently, the Department is responsible for the delivery of acute health services; aged, community and mental health services; disability services; housing; public health services; community services; and rural health services. It has a total budget of $7.9 billion, representing approximately 35 per cent of the State’s operating expenses.\textsuperscript{21}

Around 85 per cent of the Department of Human Services’ annual expenditure goes to external providers. These providers include public hospitals, metropolitan health services, nursing homes operated by public sector agencies, local government, community health centres, ambulance services and a range of non-government organisations providing mainly welfare services.\textsuperscript{22} However, the Department also delivers some services directly, including public rental housing, intellectual disability accommodation, child protection and juvenile justice services.\textsuperscript{23}

\textbf{2.2 Organisational structure of the Department of Human Services}

The Department’s organisational structure is based around functional divisions and geographic regions, as illustrated in Exhibit 2.1.\textsuperscript{24}

\begin{itemize}
\item \textsuperscript{20} Department of Human Services, submission no. 156, p. 24
\item \textsuperscript{21} Budget Paper No. 3, 2001-2002, p. 56
\item \textsuperscript{22} Department of Human Services 2000, \textit{1999-2000 Annual Report}, Melbourne, p. 2
\item \textsuperscript{23} Ibid, p. 2
\item \textsuperscript{24} Ms Y Chen, Department of Human Services, personal communication, 21 March 2002
\end{itemize}
### Exhibit 2.1: Department of Human Services’ organisational structure

#### Ministry Heads
- **Minister for Community Services and Housing**
  - The Hon. Bronwyn Pike, MP
- **Minister for Health**
  - The Hon. John Thwaites, MP
- **Minister for Senior Victorians**
  - The Hon. Christine Campbell, MP

#### Secretary
- **Ms Patricia Faulkner**

#### Organisational Structure

<table>
<thead>
<tr>
<th>Division</th>
<th>Policy and Strategic Projects Division</th>
<th>Metropolitan Health and Aged Care Division</th>
<th>Rural and Regional Health and Aged Care Division</th>
<th>Operations Division</th>
<th>Housing and Community Building Division</th>
<th>Community Care Division</th>
<th>DisAbility Services Division</th>
<th>Financial and Corporate Services Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inter-governmental relations</td>
<td>• Business support and project management</td>
<td>• Health outcomes</td>
<td>• Health outcomes</td>
<td>• Regional operations performance</td>
<td>• Regional operations performance</td>
<td>• Regional operations performance</td>
<td>• Regional operations performance</td>
<td>• Regional operations performance</td>
</tr>
<tr>
<td>Health policy</td>
<td>• Drugs policy and services</td>
<td>• Disease control and research</td>
<td>• Disease control and research</td>
<td>• Portfolio services</td>
<td>• Portfolio services</td>
<td>• Portfolio services</td>
<td>• Portfolio services</td>
<td>• Portfolio services</td>
</tr>
<tr>
<td>Policy projects</td>
<td>• Social and environmental health</td>
<td>• Primary and community health</td>
<td>• Primary and community health</td>
<td>• Human resources</td>
<td>• Human resources</td>
<td>• Human resources</td>
<td>• Human resources</td>
<td>• Human resources</td>
</tr>
<tr>
<td>Workforce &amp; service planning</td>
<td>• Quality and care continuity</td>
<td>• Rural and regional health services</td>
<td>• Rural and regional health services</td>
<td>• Juvenile justice custodial services</td>
<td>• Juvenile justice custodial services</td>
<td>• Juvenile justice custodial services</td>
<td>• Juvenile justice custodial services</td>
<td>• Juvenile justice custodial services</td>
</tr>
<tr>
<td>Strategic projects</td>
<td>• Service development</td>
<td>• Aged care</td>
<td>• Aged care</td>
<td>• Eastern Metropolitan Region</td>
<td>• Eastern Metropolitan Region</td>
<td>• Eastern Metropolitan Region</td>
<td>• Eastern Metropolitan Region</td>
<td>• Eastern Metropolitan Region</td>
</tr>
<tr>
<td>Hospital demand project</td>
<td>• ARMC/Mercy redevelopment</td>
<td>• Planning and resources</td>
<td>• Planning and resources</td>
<td>• Northern Metropolitan Region</td>
<td>• Northern Metropolitan Region</td>
<td>• Northern Metropolitan Region</td>
<td>• Northern Metropolitan Region</td>
<td>• Northern Metropolitan Region</td>
</tr>
<tr>
<td>Nurse policy</td>
<td>• Mental health</td>
<td>• Gippsland Region</td>
<td>• Gippsland Region</td>
<td>• Southern Metropolitan Region</td>
<td>• Southern Metropolitan Region</td>
<td>• Southern Metropolitan Region</td>
<td>• Southern Metropolitan Region</td>
<td>• Southern Metropolitan Region</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Western Metropolitan Region</td>
<td>• Western Metropolitan Region</td>
<td>• Western Metropolitan Region</td>
<td>• Western Metropolitan Region</td>
<td>• Western Metropolitan Region</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Hume Region</td>
<td>• Hume Region</td>
<td>• Hume Region</td>
<td>• Hume Region</td>
<td>• Hume Region</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Tenancy and housing services</td>
<td>• Tenancy and housing services</td>
<td>• Tenancy and housing services</td>
<td>• Tenancy and housing services</td>
<td>• Tenancy and housing services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Business systems</td>
<td>• Business systems</td>
<td>• Business systems</td>
<td>• Business systems</td>
<td>• Business systems</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Property services</td>
<td>• Property services</td>
<td>• Property services</td>
<td>• Property services</td>
<td>• Property services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Home finance and community programs</td>
<td>• Home finance and community programs</td>
<td>• Home finance and community programs</td>
<td>• Home finance and community programs</td>
<td>• Home finance and community programs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Policy and strategy</td>
<td>• Policy and strategy</td>
<td>• Policy and strategy</td>
<td>• Policy and strategy</td>
<td>• Policy and strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Neighbourhood renewal</td>
<td>• Neighbourhood renewal</td>
<td>• Neighbourhood renewal</td>
<td>• Neighbourhood renewal</td>
<td>• Neighbourhood renewal</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Strategic asset management</td>
<td>• Strategic asset management</td>
<td>• Strategic asset management</td>
<td>• Strategic asset management</td>
<td>• Strategic asset management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Grampians Region</td>
<td>• Grampians Region</td>
<td>• Grampians Region</td>
<td>• Grampians Region</td>
<td>• Grampians Region</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Child protection and juvenile justice</td>
<td>• Child protection and juvenile justice</td>
<td>• Child protection and juvenile justice</td>
<td>• Child protection and juvenile justice</td>
<td>• Child protection and juvenile justice</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Family and community support</td>
<td>• Family and community support</td>
<td>• Family and community support</td>
<td>• Family and community support</td>
<td>• Family and community support</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Research, budget and program support</td>
<td>• Research, budget and program support</td>
<td>• Research, budget and program support</td>
<td>• Research, budget and program support</td>
<td>• Research, budget and program support</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Loddon Mallee Region</td>
<td>• Loddon Mallee Region</td>
<td>• Loddon Mallee Region</td>
<td>• Loddon Mallee Region</td>
<td>• Loddon Mallee Region</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Barwon South Western Region</td>
<td>• Barwon South Western Region</td>
<td>• Barwon South Western Region</td>
<td>• Barwon South Western Region</td>
<td>• Barwon South Western Region</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Program effectiveness review</td>
<td>• Program effectiveness review</td>
<td>• Program effectiveness review</td>
<td>• Program effectiveness review</td>
<td>• Program effectiveness review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Budget and corporate planning</td>
<td>• Budget and corporate planning</td>
<td>• Budget and corporate planning</td>
<td>• Budget and corporate planning</td>
<td>• Budget and corporate planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Business development</td>
<td>• Business development</td>
<td>• Business development</td>
<td>• Business development</td>
<td>• Business development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Information services</td>
<td>• Information services</td>
<td>• Information services</td>
<td>• Information services</td>
<td>• Information services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Finance and administrative services</td>
<td>• Finance and administrative services</td>
<td>• Finance and administrative services</td>
<td>• Finance and administrative services</td>
<td>• Finance and administrative services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Capital management</td>
<td>• Capital management</td>
<td>• Capital management</td>
<td>• Capital management</td>
<td>• Capital management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Industrial relations</td>
<td>• Industrial relations</td>
<td>• Industrial relations</td>
<td>• Industrial relations</td>
<td>• Industrial relations</td>
</tr>
</tbody>
</table>

57
The nine geographic regions of the Department of Human Services are shown in Exhibits 2.2 and 2.3.\(^{25}\)

**Exhibit 2.2:** Department of Human Services Regional Boundaries (rural)

**Exhibit 2.3:** Department of Human Services regional boundaries (metropolitan)

---

The Directors from each division, apart from the Director of Policy and Strategic Projects, Metropolitan Health and Aged Care Division and Financial and Corporate Services Division, have responsibility for both a division and a Department of Human Services region. However, the Director of the Operations Division is responsible for five Department of Human Services’ regions.

The Department’s Head Office is responsible for:

- developing policy and strategic directions;
- setting service requirements and standards for the Regional Offices purchasing of services;\textsuperscript{26}
- determining longer term outcomes and strategies to achieve these outcomes;
- how goals will be translated into high level priorities; and
- resource allocations for the coming year.

Head Office is also responsible for statewide service planning, as well as development of the service system, service redevelopment and overall performance monitoring.\textsuperscript{27}

The Department’s Regional Offices operate within the broad planning and strategic framework set by the Head Office and develop plans relevant to their region. These Regional Offices are responsible for:

- purchasing decisions;
- managing service agreements (including the monitoring of services delivered); and
- funding, managing and monitoring the Department’s directly delivered services.\textsuperscript{28}

Regional Offices’ immediacy to service delivery means, according to the Department, that they are able to develop a detailed

\textsuperscript{26} Department of Human Services, 1999, \textit{1998-1999 Annual Report}, Melbourne, p. 21
\textsuperscript{27} Letter, dated 23 February 2001, from Minister for Community Services, Hon. Christine Campbell, MP
\textsuperscript{28} Ibid, p. 21
understanding of client needs and how funded services respond, and of region-specific social or economic factors that impact on the delivery of services. This information is used for regional planning.\textsuperscript{29}

There are some exceptions to the standard roles and responsibilities of the Department’s Head and Regional Offices; for example, acute and sub-acute health services, some public health and housing services and some statewide services remain a Head Office responsibility.\textsuperscript{30} Aged care and mental health services provided by the Metropolitan Health Services are also managed centrally, while the Department’s Regional Offices continue to manage the provision of these services in rural areas.\textsuperscript{31}

The Policy and Strategic Projects Division is responsible for strategic policy development, systems reform, service development, the review of programs and whole of department planning and budget development. The division is responsible for addressing emerging issues of significance to human services and intergovernmental relations. The division also comprises a Rural Health Branch and Nurse Policy Branch.\textsuperscript{32}

### 2.3 Current service agreement framework

The service agreement framework and funding of human services in Victoria have been significantly shaped by the Management Reform Program (MRP) and the whole-of-government Integrated Management Cycle (IMC). The MRP was introduced in 1997 as a management framework to support the Government’s key budgetary, economic, financial and management reform objectives. Key elements include:\textsuperscript{33}

- strategic oversight of resources by the Government;

\textsuperscript{29} Letter, dated 23 February 2001, from Minister for Community Services, Hon. Christine Campbell, MP
\textsuperscript{30} Department of Human Services, submission no. 156, p. 20
\textsuperscript{31} Ibid, p. 20
\textsuperscript{32} Refer to http://www.dhs.vic.gov.au/pdpd/anout.htm
\textsuperscript{33} Department of Treasury and Finance, 1997, Reform of the Budget Sector, Victoria: Elements of Financial Management, Management Reform Program, Melbourne
• an output based management focus by Departments;
• protection of the Government’s interest as owner of the State’s businesses through enhanced management of capital assets; and
• accountability for the use of resources.

The Department has acknowledged that its administrative framework is complex:

This complexity is a result of a range of factors including the size of the portfolio, the diversity of agencies which it funds, the different funding histories of the various sectors and program areas, the nature of the constitutional division of powers in Australia (leading to the large number of Commonwealth-State Agreements), the range and complexity of requirements set by State and Commonwealth legislation and overall Government planning, budgeting and reporting processes.\textsuperscript{34}

2.3.1 Commonwealth Budget

The Department advised that it receives a substantial proportion of its Budget from the Commonwealth in the form of Special Purpose Payments governed by Commonwealth State Agreements. The agreements influence:

• the amount of funding available to the State;
• the Department’s planning and funding processes; and
• the accountability relationship between the Department and its funded organisations.

Further:

These [special purpose] payments are governed by Commonwealth-State agreements relating to client groups and service types to be purchased by State governments. There are specific terms and conditions in these agreements and for some, payments are linked to a defined financial contribution by the State government. Special Purpose Payments affect the flexibility of the funding system

\textsuperscript{34} Department of Human Services, submission number 156, p. 16
because they tend to be prescriptive about the purpose and quantum of funding and are only able to be changed following expiry and renegotiation of the agreement (usually 3-5 years).  

2.3.2 Victorian State Budget

The annual State Budget provides the basis for the Department’s budget and planning cycle and defines:  

- how much funding is available for human services; and  
- the different expenditure priorities within human services.

In October-November each year, the Department makes a submission to the Expenditure Review Committee, outlining proposed expenditure for the next financial year and requesting priority additional operational funds and funding for capital projects. The State Budget is presented in May and allocates funds to the Department’s output groups.  

Once the Department has certainty about budget allocations [including the Commonwealth budget], the program [areas] allocate funding down to output areas and regions.

The Department advised that there is a fair degree of reliability regarding its Budget, with over 90 per cent of its funding regarded as ‘certain’. Nevertheless, the Department has stated that the annual nature and timing of the State Budget restricts the development of three or five-year service agreements:

References:

35 Ibid, p. 20  
36 Ibid, p. 17  
37 Output groups, for the purposes of budgeting and reporting, are groupings of individual outputs that contribute to a common outcome. The Department’s 2000 output management framework was made up of nine output groups: Acute Services, Ambulance Services, Aged Care and Primary Health, Mental Health Services, Public Health Services, Disability Services, Community Care, Concessions to Pensioners and Beneficiaries and Housing Assistance  
38 Mr L Wallace, Director, Resources Division, Department of Human Services, transcript of evidence, 24 August 2000, p. 6  
39 Ibid, p. 7
The annual nature and timing of the Budget affects the Department’s ability to establish longer term funding arrangements, by requiring the process of developing and negotiating service agreements to be conducted every year despite relative consistency in the nature and volume of the services funded. Where possible, the Department has endeavoured to establish longer term agreements with agencies (generally three years in duration), in order to minimise “churning” for both agencies and officials. However, as Budget is appropriated annually, these agreements need to be reviewed and renegotiated each year, diminishing the benefits gained from three-year agreements.\footnote{40 Department of Human Service, submission no. 156, p. 23}

Information on the number of service agreements which are for three years was not made available to the Committee.

2.3.3 Department of Human Services’ Integrated Management Cycle

The Department’s Integrated Management Cycle, introduced in 1998, describes and organises the planning, specifying, funding and monitoring process for provision of external services, as illustrated in Exhibit 2.4.\footnote{41 Ibid, p. 18}
Exhibit 2.4: Department of Human Services’ Integrated Management Cycle

Department of Human Services 2000, Service Agreement Manual Business and Systems Processes, section 1.1, p. 3
The IMC outlines the functions that the Department’s divisions, regions and former external purchasing support unit (Corporate Resources Division, now called the Financial and Corporate Services Division) are expected to perform during the financial year. The Service Agreement Management System (SAMS) is the Department’s database that provides service agreement information, and administrative support, for the production and management of agreements statewide.  

The Department develops three-year strategic plans (for the Department as a whole, for Divisions and for Departmental Regions) that describe the longer term goals and strategies of the Department within the framework of Government policy directions and priorities. It also develops policy and funding plans for each of its Divisions based on the three-year strategic plan. The policy and funding plans are produced annually and detail Divisions’ intentions for the services to be funded during the financial year.

Divisional staff develop service plan templates, based on the funding arrangements set out in the policy and funding plans. Following the completion of these templates, the Regional Offices prepare and negotiate service plans and sign agreements with service providers. Service plans detail the specific elements of an agreement including: service aims, objectives, standards and guidelines for service delivery, details of funding, performance measures and targets, and data collection requirements. The Committee was advised that the plans are based on negotiations between the Department and the service provider.

The IMC indicates that preliminary negotiations with providers for Department service agreements are scheduled to commence in April of each financial year. By June, these negotiations should

---

43 SAMS was introduced in 1997-1998. However, preliminary work on the system began as early as 1994-1995
44 Department of Human Services, submission no. 156, p. 18
45 Department of Human Services, March 2000, Service Agreement Manual: Business and Systems Processes, p. 3
be completed, and the Department and the service provider should have signed the agreement. The Department advised that the achievement of these timelines varies in practice, as illustrated in Exhibit 2.5.\textsuperscript{46}

Exhibit 2.5: Percentage of Department of Human Services - service agreements signed by the commencement of the financial year that they cover

\begin{figure}
\centering
\includegraphics[width=\textwidth]{exhibit_2.5}
\caption{Agreement Signing Rate}
\end{figure}

\textsuperscript{46} Ms K MacDonald, Department of Human Services, personal communication, 31 August 2001
Implementation of the services outlined in the agreements commences in July. Monitoring, payments and variations to service agreements continues throughout the life of an agreement. The service agreement review and development phase is scheduled to begin in November. By March, the revised service agreement documentation should be completed and available on SAMS.

According to the Department’s Service Agreement Manual for 2000-2001, the funding cycle is a subset of the IMC.\(^{47}\) The timelines for external funding have an impact on the Department’s capacity to deliver on its accountability obligations. Therefore, for the service agreements to be developed before each new financial year, all key phases of the funding cycle need to be completed as early as possible.

The Service Agreement Manual provides for the following timeframes and processes:\(^{48}\)

- revised output structure completed (output groups, outputs, components, activities) finalised in January;
- performance measures reviewed, reporting requirements completed and service standards and guidelines reviewed by January-February;
- templates signed off by the end of March;
- Budget processes from November through July;
- purchasing plans drafted in January and finalised in April; and
- regional agreements signed off in June.

\(^{47}\) Ibid, p. 2

\(^{48}\) The resources provided to each region for funding externally delivered services are ultimately resolved via consultations between Head Office program staff and the Regional Office. The decisions are documented in the regional agreement. Regional agreements also set out how the Regional Office and the Head Office will work together to deliver directly provided and funded services. (Source: Department of Human Services, submission no. 156, p. 21)
As highlighted during the Inquiry, there is little relationship between the policy and the practice.

2.3.4 Service agreement structure

A standard Department service agreement comprises the following information:

- **schedule 1** – conditions of agreement, which contains the signatory page and terms and conditions under which the service will be delivered;

- **schedule 2** – financial summary and payments schedule, which details the agreed funding for each activity in the agreement;

- **schedule 3** – service plans, which details the service-specific elements of the agreement, including: service aim, objectives, standards and guidelines for service delivery, activities to be funded, performance measures and targets, funding provision and data collection requirements;

- **schedule 4** – Department/provider relationship. This schedule was added to Department of Human Services’ service agreements in 2001-2002. The schedule allows the Department of Human Services and the provider to specify issues, concerns and actions agreed during the course of the negotiation of the service agreement. For example, the parties may make a commitment to work towards a more transparent funding arrangement and review historical funding; and 49

- **schedule 5** – reporting and financial accountability requirements that set out the financial accountability requirements by which the Department monitors the service provider’s financial performance. 50

---


50 Ibid, pp. 6-7

68
The Committee was advised by the Department that the size of a service agreement or the complexity of the documentation varies, depending on the range of activities that the service provider is required to deliver. Other factors which have an impact on the format of service agreements include:

- too many activities being provided at too low a level of funding (that is, accountability requirements are not in proportion to allocated funding);
- the number of standards, guidelines and data collections listed in the service plan template against each activity;
- the length of service objective statements;
- too many performance measures;
- the amount of additional information included at the regional level;
- duplication of service plans for each region, or for each service outlet, which conflict with current business rules, but still occur; and
- the use of agreements to manage a service provider’s operations, rather than to set the core accountability requirements, resulting in the incorporation of unnecessary detail.

The Department acknowledged in its first submission to the Inquiry that the performance measures and data collection requirements contained in service agreements require rationalisation. This point will be discussed further in Chapter 3. Exhibit 2.6 illustrates the excessive number of performance measures and data collection measures specified in the Department’s service agreements.

---

51 Department of Human Services, submission no. 156, p. 38
52 Ms K MacDonald, Department of Human Services, 31 August 2001
Exhibit 2.6: The number of service plan templates, activities and performance measures for the period 1998-99 to 2001-02

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service plan templates</td>
<td>144</td>
<td>84</td>
<td>73</td>
<td>62</td>
</tr>
<tr>
<td>Unique activities in service plan templates</td>
<td>321</td>
<td>306</td>
<td>284</td>
<td>328</td>
</tr>
<tr>
<td>Activities in service plan templates</td>
<td>402</td>
<td>362</td>
<td>310</td>
<td>383</td>
</tr>
<tr>
<td>Unique standard performance measures in service plan templates</td>
<td>1,012</td>
<td>827</td>
<td>743</td>
<td>685</td>
</tr>
<tr>
<td>Standard performance measures in service plan templates</td>
<td>1,357</td>
<td>988</td>
<td>825</td>
<td>772</td>
</tr>
<tr>
<td>Service agreements</td>
<td>2,741</td>
<td>2,733</td>
<td>2,770</td>
<td>2,695</td>
</tr>
<tr>
<td>Total standard performance measures in agreements</td>
<td>42,486</td>
<td>26,348</td>
<td>27,547</td>
<td>20,009</td>
</tr>
<tr>
<td>Total negotiator defined performance measures in agreements</td>
<td>4,893</td>
<td>3,890</td>
<td>3,151</td>
<td>1,278</td>
</tr>
</tbody>
</table>

2.3.5 Shortcomings with the current framework

The Department advised that shortcomings identified in a 1999 internal review of departmental processes closely matched issues raised by service providers in the consultations undertaken to develop the Department’s submission to this Inquiry. Areas identified by the internal review as requiring improvement included:

- earlier commencement of service planning, with more involvement from regions;
- earlier release of some divisional funding plans;
- earlier negotiation and settlement of provider’s service agreements;
- streamlining the regional agreement process;

---

53 Department of Human Services, submission no. 156, pp. 19-20
• a reduction in variations, along with streamlining of the agreement variation process;
• wherever possible, similar specifications and funding of similar services delivered by different providers; and
• a reduction in data collected from service providers.

The Department also informed the Committee that its relationship with service providers needed to be improved; provider selection methods require revision and funding mechanisms need greater transparency and review in some cases.\(^{54}\)

The written submissions and evidence taken at hearings during the Inquiry suggest that the shortcomings of the Department’s service delivery, management, funding and monitoring framework are more complex and varied than those identified by the Department. Evidence considered by the Committee indicates that problems with the current framework extend beyond the contracts to the Department’s business practices, its funding models and the relationship between the Department and service providers and clients. These issues will be examined in the following chapters of this report.

\(^{54}\) Mr S Solomon, Director, Policy Development and Planning Division, Department of Human Services and Mr L Wallace, Director, Resources Division, Department of Human Services, transcript of evidence, 24 August 2000, p. 8
CHAPTER 3: CLIENT RIGHTS AND SERVICE PURCHASER AND PROVIDER RESPONSIBILITIES

Key Findings:

3.1 The Department of Human Services advised that there are a number of key instruments for advancing the rights of people using human services including: legislative reform; the introduction or strengthening of regulations; establishment of accreditation mechanisms; regular client and carer satisfaction surveys; and ensuring the availability of suitably qualified and trained staff.

3.2 The Government has stated a strong commitment to ensuring the rights of clients are protected and promoted, and the Department of Human Services’ second submission advised of new consultative arrangements to obtain client feedback. However, at the time of this review, service providers were still expressing concern that users of the services had very little opportunity to have input into the planning and design of services and that evaluation of services was minimal.

3.3 At the time of this review, there were few targets and performance measures linked to the quality of services. Likewise, there were few targets and performance measures regarding the responsibilities of the funding body (i.e. the Department of Human Services).

3.4 Many service providers regard the performance measures set by the Department of Human Services as being of poor quality, with an emphasis on quantitative rather than qualitative outputs.

3.5 Collection of data on outputs was seen as costly, cumbersome and of little benefit.
Key Findings (continued):

3.6 Unless performance data is meaningful, accurate and reflective of the quality of services provided, appropriate accountability for public funding is not achieved.

3.7 The Department of Human Services acknowledged the deficiencies in its data collection processes and advised that various measures are planned over the next five years to streamline data collection.

3.8 Apart from providing an annual report to the Department of Human Services, service providers from 2001-2002 (except children’s services providers), receiving up to $200,000 in funding, do not have to provide evidence that they expended grant funds according to the terms and conditions of the service agreement.

3.9 Children’s services providers, that receive less than $200,000 from the Department of Human Services, must provide a higher level of accountability than that required of other providers that receive similar funding but deliver different services.

3.1 Introduction

This chapter covers the second term of reference, which relates to whether Department of Human Services service agreements reflect customer service rights and service provider and purchaser responsibilities.

The Department of Human Services advised the Committee that around 85 per cent of the Department’s annual expenditure is allocated to external providers.\(^55\) Given the magnitude of this

\(^{55}\) Department of Human Services, submission no. 161, p. 3
public funding, it is critical that adequate accountability provisions are in place.

Accountability in the above context refers to not only financial accountability, but also accounting for the performance of the various service providers - that is, whether the services are provided with due regard to economy, effectiveness and efficiency - and providing appropriate services. While the Committee considers that accountability mechanisms are very important, they should not be onerous and place excessive cost burdens on service providers in complying with the Department's requirements. The Committee is also aware that many funded service providers receive funding from sources other than the Department and must also meet the accountability and reporting requirements of those sources. The Committee is of the view that the information generated from accountability requirements should also be applied for meaningful purposes, particularly for future planning.

3.2 Performance measurement

Numerous submissions to the Committee revealed widespread concern about the role and rights of clients in the service system, the adequacy of performance measures and measurement of service quality.

3.2.1 Client rights

The Department of Human Services advised the Committee in its first submission to the Inquiry that the Government has a strong commitment to ensure that the rights of clients are protected and promoted.\(^56\) The submission stated that work was underway in health, community services, disability and housing services to ensure the recognition and protection of client rights. However, details of these initiatives were not provided to the Committee. The Department also advised that there are a number of key instruments for advancing the rights of people using human services including: legislative reform; the introduction or

\(^{56}\) Department of Human Services, submission no. 156, p. 26
strengthening of regulations; establishment of accreditation mechanisms; regular client and carer satisfaction surveys; and ensuring the availability of suitably qualified and trained staff.

The Department’s second submission reiterated that client rights are paramount and that there should be client feedback opportunities and funding approaches that empower clients to make choices. The Department advised the Committee that the following measures were planned:

- a new consultative arrangement would be established to examine client feedback on service provider performance; and
- the new schedule 4 of the service agreement would enable the Department and service providers to develop client feedback systems.

The Department also emphasised that its quality framework includes charters of clients’ rights, complaints mechanisms and client and carer satisfaction surveys.

A concern highlighted by service providers is the low level of client participation in the service agreement framework. The Children’s Welfare Association of Victoria advised the Committee that their preliminary research into the impact of the marketisation of community services indicates that:

… despite being centre-stage rhetorically, the general position of users of community services appears to have changed very little. With a few exceptions, they are still largely passive and silent participants in the service relationship.

VCOSS advised that many innovative approaches to the rights of service users have been developed in portfolio areas such as transport and health and that some parts of the DHS service system have made considerable progress in improving client

57 Department of Human Services, submission no. 161, pp. 4, 9
58 Ibid, p. 13
59 Children’s Welfare Association of Victoria, submission no. 145, p. 10
participation and recognising client rights. VCOSS also informed the Committee that:

... services must be responsive to the needs of the community if they are to be effective. Hence, consumer participation is an essential element in the planning, design and evaluation of community and health services. However, this issue is given little emphasis in the relationship between DHS and funded agencies and negligible resources are allocated for this purpose.

Service providers identified the need for:

- increased levels of client participation and accountability at all levels of the Department of Human Services, including policy development, service planning, design, evaluation and delivery;
- improved client access to complaints and grievance mechanisms;
- service agreement contracts to reflect the importance of client service rights, as is currently the case with Primary Care Partnership documentation.

The Committee is aware that the rights of clients are closely linked to the quality of services provided. As referred to earlier, the absence of targets and performance measures linked to the quality of services is a feature of the existing arrangements. The Committee acknowledges that some service providers conduct client surveys and encourage feedback, but these are conducted on an ad-hoc basis with minimal or no involvement from the Department.

The Committee considers that performance measurement should not just be linked to the achievement of targets by service providers. It should also be linked to assessments and client participation and recognising client rights.  

---

60 Victorian Council of Social Service, submission no. 133, p. 11
61 Ibid, p. 11
62 Ibid, p. 11
63 Council for the Disabled, submission no. 98, p. 2
64 Maroondah City Council and Monash City Council, on behalf of Eastern Metropolitan City Councils, submission no. 61, p. 3
feedback about whether the provider is performing well in delivering services to clients. There is scope for providing for this aspect in future service agreements.

Accordingly, the Committee recommends that:

**Recommendation 3.1:**

The Department of Human Services, in consultation with service providers and clients, develop and implement a comprehensive strategy that provides opportunities for client input into service planning, design, evaluation and delivery.

**Recommendation 3.2:**

Department of Human Services service agreements should reflect and emphasise the importance of client service rights and include clear statements of departmental responsibilities towards service providers and clients.

### 3.2.2 Adequacy of performance measures

As part of the accountability process, service agreements contain schedules recording each activity undertaken by a provider, activity objectives, funding provided and, where applicable, unit prices and the unit of measure (for example, the number of clients, episodes of care or total hours for each activity). Performance targets are identified for each activity, usually of a quantitative nature such as total hours or days to be spent on the activity, or number of clients to be serviced over a period. Reporting frequencies between the Department of Human Services and the service provider are detailed, which may be monthly, quarterly, half yearly or yearly depending on circumstances.

The responsible departmental contract manager records data on all variations between actual and targeted performance. In theory, this information provides a basis for future discussions between the Department of Human Services and the provider on issues
involving service delivery. Performance information is also used to ensure funds are managed appropriately and to assist planning. The Committee is of the view that the use of performance measures as an accountability mechanism is particularly important given that financial accountability for many service providers, as referred to previously, may not be strong.

Many service providers regarded the quality of performance measures set by the Department as poor, with an emphasis on quantitative output (such as the number of clients to be serviced or the number of service sessions to be conducted) rather than qualitative output, for example levels of client satisfaction. This point is discussed further in Chapter 7. The collection of data on outputs was often perceived to be costly, cumbersome and of doubtful benefit, especially where the data was to be provided to the Department of Human Services at frequent intervals.

Upper Murray Family Care advised the Committee that:

Monitoring is superficial and almost totally restricted to dubious data collection. I say dubious because by and large the funded sector, while providing services, are not involved in the design of data being collected. This leads almost inevitably to questions about relevance, interpretation and therefore accuracy. There seems to be no good reason for continual data collection which is essentially quantitative, compared to episodic, in-depth qualitative research.65

UnitingCare Community Options stated in their submission that:

When purchasing home care/personal care services we have been aware that although the targets laid down in the contract have been met, the quality and the ability of the service to meet clients’ needs has deteriorated ... For example, in one instance a client’s name was accidentally ‘dropped off the computer’. When informed of the mistake [after no-one came for some days to an elderly man] UnitingCare Community Options was informed that the hours [of service] had been allocated to someone else and no-one was available

65 Upper Murray Family Care, submission no. 8, p. 2
for this Agency’s client. Yet the target hours were still being met according to the service agreement.  

Barwon Health provided an example that highlighted that the ‘burden of reporting’ was not always commensurate with the amount of the grants provided for health services:

The 16 different funding streams within the department and the 80 separately defined activities of the acute program’s $120 million are contained in just four lines of the health service agreement. The community and mental health program’s $20 million requires 59 out of the 80 activities …  

The performance measures were also perceived to be notional and deficient in terms of ascertaining client demand. For example, if the service agreement specified that a certain number of sessions with clients were to be conducted in return for a specified amount of funding based on unit costs, and this target was met by the provider, then the Department would be satisfied. In reality, there could be a large waiting list for the services for which funding was not provided. Conversely, certain provider activities could be under-used, despite funds needing to be re-directed to priority areas, with action invariably not being taken in case targets were not met in the first instance.

3.2.3 Measurement of service quality

The Department of Human Services advised that its quality framework comprises many aspects, including:

- program standards and guidelines to which providers are expected to adhere;
- regular review of activities and performance measures to improve their sophistication and appropriateness in defining, funding and measuring human service provision;

---

66 UnitingCare Community Options, submission no. 48, p. 4
67 Mr D Dillon, Business Manager, Community and Mental Health, Barwon Health, transcript of evidence, 8 December 2000, p. 526
68 Department of Human Services, submission no. 161, p. 13
• provision to ensure recruitment and training of appropriately skilled staff;
• accreditation and benchmarking;
• internal and external monitoring, for example by Community Visitors;
• charters of clients’ and patients’ rights and complaints mechanisms;
• client and carer satisfaction surveys;
• support for quality improvement initiatives; and
• research and evaluation.

The Department of Human Services informed the Committee that consistent with Government policy to recognise and properly exercise its duty of care, it is expected that there will be increasing use of random audits to review provider compliance with legal and service requirements. The Department also advised that accountability for service quality will become more important and be reflected in the negotiated conditions of service agreements. Techniques will range from:

• the requirement to provide services at “best practice” standard and provision of quality bonuses; to
• formal “naming” of poor performers and appointment of administrators.

Service providers emphasised the need to design performance indicators that reflected the quality of service provided. The Victorian Council of Social Service (VCOSS) advised that:

[The Department’s] guidelines suggest that no more than six measures should be set (four centrally, two by regions, if required). However, for some services, as many as 15 measures have been established. Overall, the quality of these performance measures is poor and concentrate primarily on outputs and input measures. Client and service outcomes are rarely addressed ... VCOSS understands that [the Department] has introduced internal business

69 Ibid
rules that define the level at which service agreements should be managed with providers. For each service, there should be only one set of service accountability requirements. However, the application [of this business rule] appears to depend on the particular service area and/or region applying the rules.\(^7\)

One service provider suggested that unless performance data is meaningful, accurate and reflective of the quality of services provided, adequate accountability for public funding cannot be achieved.\(^7\)

The Committee was advised by Interchange Victoria that national standards exist for some activities that could form a best practice basis for assessing outcomes.\(^7\) There are national standards, for example, for Health and Community Care (HACC) services funded by the Commonwealth Government. It is understood that these standards are used in other States to encourage quality improvement. Similarly, Palliative Care Performance Indicators were developed at a national level in June 1998, to provide more meaningful patient outcome data compared to current performance measures.

Service providers also advised the Committee of their concerns regarding departmental policies and guidelines referred to in service agreements to which they are expected to comply. This issue is examined further in Chapter 9.

Qualitative performance measures and defined outcomes should be determined for use in the service agreements, preferably as a result of the accreditation process used extensively by health care organisations. The service agreement also needs to provide for appropriate actions by the Department and service providers where standards were not met. VCOSS advised the Committee that:

---

\(^{70}\) Victorian Council of Social Service, submission no. 133, p. 13
\(^{71}\) UnitingCare Community Options, submission no. 48, p. 5
\(^{72}\) Interchange Victoria, submission no. 79, p. 5
... at the moment the Department does not know whether it is buying good, bad, or indifferent services. Regardless of how watertight their service agreements might be, there is no accreditation of organisations that have the capacity to intrude in the most potentially damaging ways into the lives of families and individuals.\textsuperscript{73}

Accordingly, the Committee recommends that:

**Recommendation 3.3:**

The Department of Human Services review of targets and performance measures should include developing mechanisms to determine outcomes and the quality of services provided. Attention should also be given to developing performance information that relates to qualitative evaluation, accreditation and benchmarking (particularly where there are national standards available) and other methods such as random audits to provide both financial accountability and measures of effectiveness.

### 3.3 Data collection

The Department informed the Committee that it is constrained in the collection of data from funded providers, partly as a result of internal management information systems\textsuperscript{74} and partly as a result of provider data collections, with approximately 70 per cent of funded providers relying on paper based systems.\textsuperscript{75} A recent review of the Department’s data collection processes raised concerns about the data quality in some cases and found that data is often collected infrequently (for example, annually) thereby

\textsuperscript{73} Mr A McCallum, President, Victorian Council of Social Service, transcript of evidence, 24 August 2000, p. 14

\textsuperscript{74} Department of Human Services, submission no. 161, pp. 26-29

\textsuperscript{75} Department of Human Services 2000, Data Collection Review: A Review of Department of Human Services Funded Agency Data Collections (Draft), Melbourne, p. 8
limiting the data’s usefulness in supporting management information needs. The Department’s review also indicated that service providers found that data collection processes lack consistency, are administratively complex and, in many cases, appear to have no clear purpose for the collection.

The Department of Human Services acknowledged the deficiencies in data collection and advised that various initiatives are planned over the next five years with a view to streamlining data collections, including setting up electronic transfers of information between service providers and the Department and managing information more efficiently.

Service providers expressed concern about the accountability arrangements associated with service agreements, including performance and financial reporting requirements. These issues are discussed further in this chapter.

Accordingly, the Committee recommends that:

**Recommendation 3.4:**

The Department of Human Services, in consultation with service providers, develop and implement a strategy with defined timelines to:

(a) reduce the quantity, frequency, detail and duplication of data collected from service providers;

(b) improve the quality of data collected from service providers; and

---

76 Department of Human Services, Response to the Public Accounts and Estimates Committee’s 1999-2000 supplementary estimates questionnaire, p. 29
77 Department of Human Services, op. cit; p. 8
78 Ibid
(c) provide for the sharing and collection of appropriate data between the Department of Human Services and providers, and between providers.

3.4 Financial accountability

An information kit distributed by the Department in April 2000 stated that organisations that received funding in excess of $100,000 from the Department in 1999-2000 were required to complete, preferably on an accrual basis, an Annual Financial Indicators Statement. This threshold was raised to $200,000 in 2000-2001.

The statement contains basic information on a service provider’s total income from all sources, including departmental funding, total expenditure and the surplus/deficit for the year. It does not specifically identify expenditure in respect of grants from the Department. A balance sheet is also prepared, broadly listing the total assets and liabilities of the service provider. Unless departmental funding exceeded $1 million, the statements do not have to be prepared in accordance with Australian Accounting Standards, although this is encouraged.

Although service providers (except those providing children’s services such as pre-schools) receiving less than $200,000 in departmental funding are not required to prepare an Annual Financial Indicators Statement, the Department of Human Services may require such a statement if there are concerns relating to a service provider’s financial status and monitoring practice.

---

79 Refer to the Department of Human Services, Service Agreement Information Kit for Agencies 2000-2001, Melbourne, p. 10
80 Ibid
81 Department of Human Services, Service Agreement Information Kit for Agencies 2001-2002, Melbourne, p. 15
Until 2000-2001, service providers delivering children’s services did not have to prepare a statement.\(^82\) This change occurred in response to concerns about the financial viability of many preschools, a situation that was not readily apparent to the Department because it had not required the Annual Financial Indicator Statements.

The Department of Human Services does not require audited financial statements – including an audit certification on financial acquittal statements and the Annual Financial Indicators Statements – where service providers receive departmental funding of less than $200,000. Audited information is mandatory where funding exceeds $200,000.

The Department also requires annual reports from service providers (except those delivering children’s services), irrespective of funding levels. The Committee questions whether the provision of an annual report provides full accountability for the expenditure of departmental funds, because although funding sources are identified in the financial statements, expenditure from those funds is often not separately identified.

In summary, apart from the provision of an annual report to the Department, service providers (except those providing children’s services) from 2001-2002 receiving up to $200,000 in funding do not have to provide evidence that they have expended grant funds according to the terms and conditions of the service agreement. The Department recorded in its Service Agreement Information Kit for Agencies that around 74 per cent of all service providers in 2000-2001 received grants of up to $200,000, mainly preschools providing children’s services.\(^83\) In aggregate, these grants totalled $94 million, of which $31 million comprised grants below $50,000.

The Committee recognises that the stringency of acquittal procedures for grants below $200,000 needs to be balanced against the level of risk and the cost of compliance. Nevertheless, annual

\(^82\) Ibid, pp. 13-14
\(^83\) Ibid, p. 6
expenditure of $94 million on grants below $200,000 is a material amount in aggregate. It is also an anomalous situation whereby children’s services providers receiving less than $200,000 must now provide a higher level of accountability than that required of other providers receiving similar funding but providing different services.

Prior to 2001-2002, the reverse situation applied, with service providers such as pre-schools exempt from the more stringent accountability requirements applied to other providers that received funding of less than $200,000. In terms of risk, small providers are less likely to have adequate systems and proper internal control systems to safeguard control over finances. Apart from the accountability aspect, it would also be beneficial for the Department when determining future grants to be able to identify any instances in which grants were not fully expended. Conversely, the Department should also be aware of the full costs incurred by a provider in delivering a service funded by the Department, and of the extent to which such providers rely on alternative sources of funding to provide services.

The Committee is of the view that the Department of Human Services could provide service providers with proforma acquittal statements. Service providers would fill in the acquittal statements and attest to their expenditure of grant funds. This would not be an expensive process. As all incorporated bodies are required to have their financial accounts audited, as part of this process, an auditor could also provide audit certification against the acquittal statement.

---

84 For example, refer to Victorian Auditor-General’s Office, 1998, Child Care and Kindergartens: Caring about quality, Special Report No. 55, Part 6, Melbourne
Accordingly, the Committee recommends that:

**Recommendation 3.5:**

(a) The Department of Human Services develop and provide service providers with proforma acquittal statements; and

(b) Service providers provide the Department of Human Services with an acquittal statement and audit certification to account for the funds received from the Department.
Key Findings:

4.1 There is limited sharing of institutional learning across Australian States in the health and welfare sectors. Several funding models have been used historically. Most States and Territories are grappling with reforms in these areas.

4.2 There is a trend towards the development of standardised Government purchasing policies and procedures.

4.3 A number of interstate and overseas jurisdictions have experienced problems with the competitive tendering of human services.

4.4 Most States have a wide mix of ways in which they fund human services programs. The general trend is towards more stable funding regimes, especially three-year agreements.

4.5 Service agreements, as currently formulated, are an unsatisfactory means of defining the relationship between government and service providers. A common concern of community service providers is that service agreements have moved from satisfying the needs of the community to addressing the demands of Government Departments.

4.6 Service agreements rarely define the responsibilities of Government.
4.1 Introduction

This chapter covers the third term of reference, which relates to the use of service agreements in other States, Territories and overseas.

The Committee’s research revealed that current arrangements for the financing of human services in Australia are complex. The funding arrangements for service delivery vary across jurisdictions and programs and States. Further:

Some government funding programs refer to agreements as contracts, others do not; in some cases providers are chosen after competitive bidding, in some cases there is no competition; in some cases agreements are for a fixed time, in most cases the organisations can expect continued funding, provided it meets various conditions set down by the government funder ...⁸⁵

Despite the significant reforms to the human services sector in Australia, only one study has been undertaken that comprehensively outlines the changing funding and contracting relationships between State Governments and community organisations providing community services.⁸⁶ The study found that there is limited sharing of information about developments across the States in this sector. It also noted that any convergence towards a common funding model is most likely the product of a shared reform agenda.⁸⁷

Five models of funding arrangements have been identified in the literature.⁸⁸ To a certain extent, the models represent an historical development of funding models in Australia, although examples of all can be found:

---

⁸⁵ Lyons, M 1997, ‘Contracting for Care: What is it and What is at issue?’, in Australian and New Zealand Third Sector Research Limited (ed.), 1997, Contracting for Care, Third Sector Review, Volume 3, Special Issue, p. 8
⁸⁶ Ibid
⁸⁷ Lyons, M 1997, ‘Contracting for Care: How much is there and is it the way to go?’, in Australian and New Zealand Third Sector Research Limited, 1997, Contracting for Care, Third Sector Review, Volume 3, Special Issue, pp. 209-210
• Government as philanthropist model: where community organisations take the initiative and seek a contribution and or support for a particular project or activity;

• Submission model: where the Government indicates there are funds to support particular services or activities, and invites proposals from the public within program guidelines;

• Planning model: where the Government takes responsibility for collecting data and consulting on needs and services, and directs resources to areas or population groups on the basis of need - funding agreements might be negotiated with existing providers, or steps taken to locate new providers;

• Competitive tendering model: where the Government prescribes what services are to be purchased and selects organisations following a competitive tender process. Government then contracts with providers to deliver the specific service; and

• Quasi-voucher model: direct payments of subsidies to the consumers of services (usually referred to as individualised or consumer-focused funding).

At present, most Government community service programs are located within the planning model, having moved from the submission model. A few State programs are funded under the competitive tender model, while many of the Commonwealth programs have moved towards the quasi-voucher model.89

The Australian Council of Social Service (ACOSS) identified the following common features in the current State and Territory government approaches to funding or purchasing community services:90

89 Lyons, op cit, p. 11
• moves to clearly separate the roles of government (purchaser) and community or for-profit organisations (provider);

• a shift from funding the organisation to funding a service or defined activities, with Government taking the pre-eminent role in service specification;

• a shift from funding inputs to funding outputs (or outcomes);

• wider use of contracts to define the services being purchased and the expectations of performance and accountability;

• increased requirements for provider reporting and data collection;

• increased use of tendering to allocate growth funds and to develop new services and pilot new service approaches (although the use of competitive tendering for established services has been very limited);

• increased emphasis on developing standards for good practice, and to a lesser extent, work on the processes to evaluate performance against standards; and

• a decline in funding activities such as advocacy, community development and community participation, as these do not neatly fit into ‘service’ and ‘output’ definitions.

4.2 Funding frameworks and contracts

The policy frameworks and models being applied by State governments are described below. Analysis of these models is difficult because they are new or have been affected by recent changes in State governments. However, current experiences seem to reinforce the problems of competitive tendering.

4.2.1 New South Wales

Four separate line agencies deliver human services in New South Wales: the Department of Community Services, the Ageing and
Chapter 4: Use of service agreements in other States, Territories and overseas

Disability Department, NSW Health and the Department of Housing.

Only 30 per cent of the Department of Community Services (DoCS) budget is spent on the provision of services by external organisations (Local Governments, but mainly non-government organisations).91 The Department uses a contestable process based on expressions of interest. Externally provided services include the supported accommodation assistance program, child care program, an out-of-home care program and a community services program. The New South Wales Council of Social Service advised that these services are largely Commonwealth funded and that the State Government has limited the contestable funding approach to ‘one-off’ projects.92

Most community services are delivered through grants on a needs basis, with ongoing funding on an annual basis. However, human services departments that operate non-government funding programs are increasingly interested in introducing unit costing, output based funding models and elements of the competitive tendering regime into such programs.93 Departments providing funding to service providers have become more prescriptive in deciding what services will be funded. Further, they have introduced initiatives to increase performance through competition.94

91 P Cox, Department of Community Services (New South Wales), personal communication, May 2000
92 M Perkins, Director, New South Wales Council of Social Service, personal communication, 9 May 2000
93 Australian Council of Social Service, 1999, Common Cause: Relationships and Reforms in Community Services, Paper no. 102, p. 47
94 These initiatives have included:
   • the 1992 introduction of generic funding arrangements by the Department of Community Services aimed at reducing the number of Government Departments involved in managing funding agreements and establishing clearer service specifications and performance and accountability measures;
   • the release of draft guidelines in October 1995 on the funding of non-government organisations. The guidelines emphasised the need to achieve greater consistency in the funding relationship between community sector organisations and funding departments based on the concept of a funding compact between the Government and the community sector; and
   • in 1997 the NSW Council on the Cost of Government released new service competition guidelines aimed at providing a framework for using competitive forces, directly or indirectly to achieve best value for money. The guidelines were intended to provide broad guidance for
The NSW Department of Community Services maintains a watching brief on the funding and accountability arrangements of Victoria, South Australia and Queensland. An officer from the Funding Office of the Department commented that all Australian States were ‘stumbling in the same direction’ with respect to funding models. In contrast, the Ageing and Disability Department contracts out all of its services.

The Department of Community Services developed a Funding and Performance Agreement, a document that binds the Minister for Community Services and community organisations (‘community partners’) to comply with the terms and conditions of the agreement. The agreement outlines the role of the Department and the community sector as one of ‘strategic partnership’ and ‘co-responsibility’ and sets out the following guiding principles to underpin this relationship:95

- the development of shared goals;
- cooperative work to shape policy, planning and program delivery practices and to improve service agreements;
- mutual respect for the knowledge, skills and expertise which each contributes;
- good communication in which each partner can effectively engage in negotiation and cooperation; and
- a notion of joint ownership of all processes and the end results.

However, it has been argued that service agreements in the community sector focus on simply ensuring a framework for the disbursement of funds, that few service agreements recognise the principles of partnership and that most have little or no

determining the suitability of an activity for competitive tendering, preparation of contract specifications, evaluating bids and contract transition and monitoring.

95 Department of Community Services (New South Wales) 2001, Funding and Performance Agreement, Sydney
Chapter 4: Use of service agreements in other States, Territories and overseas

recognition of the importance of the role of community organisations in developing and maintaining the sector.96

The New South Wales Government is conducting a review of grant administration.

4.2.2 Queensland

The historical under-funding of the community services sector in Queensland is well documented and is perhaps one of the most significant features defining the context of the community services sector in that State.97 Until the mid-1980s, the Queensland Government regarded funding as a contribution to the charitable works of church organisations rather than as a legitimate responsibility of government.98 Queensland recorded the lowest spending on welfare services of all jurisdictions throughout the period 1992-1993 to 1997-1998.99

The Committee was informed that reforms in the delivery of community services in Queensland have been moderate and tentative. The purchaser/provider model was introduced in the mid-1990s but most community services funding is still through grants. Competitive tendering has been applied to the health sector but not the community services sector. According to the Director of the Queensland Council of Social Service, the principles underpinning competitive tendering have implicitly influenced the Government’s funding arrangements through the opening up of the sector to for-profit organisations.100

96 M Perkins, Acting Director, New South Wales Council of Social Service, interview, 15 June 2001
97 Queensland Council of Social Service 1999, The Community Services Strategy: Some Perspectives from the Community Services Sector, Brisbane
100 Ms S Watters, Director, Queensland Council of Social Service, personal communication, 12 May 2000
A single service agreement has been formulated in Queensland to provide a funding agreement that can be adapted to the provision of any community service. This approach is premised on the expectation of ‘individually negotiated’ aspects of agreements, including funding arrangements for the mix of outcomes, the development of service plans, and the type and scope of measurable outcomes. However, these elements are negotiated only within the broad constructs set out in the funding guidelines. In line with offering integrated service delivery, the Government set up pilot studies in July 2000 to establish single service agreements with the Queensland Government rather than numerous service agreements with multiple Departments.

This contract was developed in the context of a broader Community Services Strategy. The strategy attempted to address issues such as administrative problems relating to multiple service agreements, funding insecurity and inefficiencies with multiple service agreements. The Single Service Agreement does not alter the ‘funding model’ nature of community service grants in Queensland.

An initial evaluation of the Single Service Agreement in Queensland produced a mixed assessment of its outcomes. While the agreement was found to have not produced administrative or management efficiencies, it has provided some flexibility and integration of service delivery. In addition, it has highlighted problems with attempting to standardise complex human service indicators within service agreements.

4.2.3 South Australia

Traditionally, funding of human services in South Australia has been based on the submission model with prospective service providers defining their service needs. In the 1990s, this approach

---

101 Families, Youth and Community Care Queensland 2000, The Community Services Funding Book. A Guide to Community Service Outcomes funded by Families, Youth and Community Care Queensland, Brisbane, p. 6
102 Siggins Miller Consultants 2001, Evaluation of a Single Service Agreement and Pilot Process
changed, with the move towards contracting out of Government services and the adoption of a service purchasing model as a basis for funding the delivery of human services. A set of guidelines entitled All about Contracting out: Value for Money for South Australia by Competitive Tendering and Contracting out was released in June 1995. These guidelines were aimed at achieving the goals implicit in service purchasing: improved quality and accountability, a focus on outcomes and value for money.103

The service purchasing model has placed new requirements and demands on the parties involved but has not led to a dramatic increase in the number of services contracted out to non-government providers.104 As at June 1999, over 70 per cent of the overall funding of the human services portfolio remained under the historical uncontested category and less than 5 per cent of funding went to open tender.

The change in the funding arrangements brought a significant change in the relationship between the Government and non-government sectors.105 According to the Director of the South Australian Council of Social Service, the restructure generated disillusionment and tension for both the Government and non-government sectors.106 To address this problem, the Resource Allocation Project was initiated.107 This joint project between the Department of Human Services and the South Australian Council of Social Service has been operating for approximately 12 months and was conceived as an opportunity for Government and non-government sectors to reflect on the experience of contracting and to agree on an agenda for improvement.108 The project has focused

105 South Australian Council of Social Service and Department of Human Services (South Australia) 1999, Working Together: Resources Allocation to the Non-Government Sector, Discussion Paper, p. 7
106 Ms P Simmons, Director, South Australian Council of Social Service, personal communication, 9 May 2000
107 South Australian Council of Social Service and Department of Human Services (South Australia), op.cit; p. 7
108 Ibid, p. 2
on the principles of contracting and monitoring, skills training, the role of advisory mechanisms and a statement of commitment.\textsuperscript{109}

The Resource Allocation Project discussion paper states that good practice suggests a continuum of funding mechanisms and agreements.\textsuperscript{110} The continuum is to be considered in conjunction with criteria for deciding which funding arrangement should apply in which circumstance. The South Australian Government currently employs a range of accountability mechanisms, with service agreements being the most common. Relatively few agreements fall at the extremes of the continuum, being letters of acquittal or specified contracts. The approach to purchasing in the new structure (including the place of competitive allocation mechanisms in the not-for-profit sector) has yet to be fully articulated. Competitive tendering has been limited to growth funding, new programs and de-funded programs. The Committee notes that the Resource Allocation Project has not addressed the very difficult questions relating to the current funding model.\textsuperscript{111}

4.2.4 Western Australia

The purchasing arrangements policy in Western Australia is based on the Western Australia State Supply Commission guidelines on purchasing.\textsuperscript{112} The first stage is the planning process used to identify priority needs and services. A Department determines the range and scope of services to be provided in a particular geographical area by investigating local demographics, the types of services provided by other organisations across the three tiers of Government, local community requirements and priorities.\textsuperscript{113}

The Purchasing Quality Services policy is an approach encompassing ongoing monitoring and three-yearly evaluation. The initial planning exercise appears to be a comprehensive

\textsuperscript{109} Ms P Simmons, Director, South Australian Council of Social Service, personal communication, 9 May 2000

\textsuperscript{110} With respect to the status of the RAP documents, none of the papers have been signed off on. Ibid

\textsuperscript{111} Ibid

\textsuperscript{112} Government of Western Australia 1999, \textit{Family and Children's Services Proposed Procurement Strategy, Purchasing Quality Services}, p. 5

\textsuperscript{113} Ibid, p. 11
process of identifying the level and priority of community needs and service requirements to establish the parameters for funding.

The Western Australian Department of Family Services may confer preferred supplier status on those organisations that demonstrate the following attributes:\(^{114}\)

- continue to meet the Department’s need;
- meet the agreed service specifications, contractual requirements and set standards of delivery;
- operate efficiently and effectively; and
- are actively engaged with the Department in continuously improving their services to provide the best possible service for the Department’s customers.

The funding regime of preferred supplier status attempts to include incentives for continual improvement of services by specifying: procurement principles; liaison and partnership arrangements with the service provider through the Statement of Mutual Responsibilities; and demonstration of the effective and efficient service delivery through specifying output and outcome measures. The preferred supplier status was initiated to recognise those organisations that had a proven capacity to provide services according to the ‘specifications of existing service agreements’ and deliver those types of services which were in accordance with ‘the Department’s program requirements’.\(^{115}\) However, the Department also has the option to arrange for service delivery through an open tender process, which involves formulating a Request for Proposal.\(^{116}\)

Western Australia attempted to apply a competitive tendering model to the supply of community services, but its implementation was inconsistent, with many services not amenable to being supplied through competitive markets.\(^{117}\)

\(^{114}\) Ibid, p. 2
\(^{115}\) Ibid, p. 4
\(^{116}\) Ibid, p. 2
\(^{117}\) An audit of seven Western Australian agencies involved in the delivery of community welfare services found that 20 per cent of their 1998-1999 funding to not-for-profit organisations was by
Accordingly, the Government introduced the preferred supplier model as an alternative. The model was an attempt to bring more certainty to the funding arrangements of community service organisations. However, the Western Australian Auditor-General found that:

... the majority of Government contracts for the delivery of community services run for a short period of time (12 months). This hampers the ability of NFPOs to achieve efficiency gains and threatens the continuity of service delivery. 118

The current Western Australian position in relation to human services is uncertain while the new Government reviews its position on Government and community sector relations.119

4.2.5 Australian Capital Territory

The Australian Capital Territory (ACT) Government is a relative newcomer to the purchaser/provider model of human services delivery. The expansion of the community sector’s role in service delivery is also fairly recent.120

The ACT community service purchasing guidelines were developed specifically for non-profit service providers, because the requirements for adhering to National Competition Policy focused on the for-profit, business sector of Government-owned entities rather than on not-for-profit areas.121

Following the review of Government funding arrangements for the non-profit sector in the ACT, a purchaser/provider approach

118 Western Australian Auditor-General 2000, A means to an end: Contracting Not-for-Profit Organisations for the Delivery of Community Services, Performance Report no. 3, p. 12
119 Ibid, p. 26
119 Refer to Gallop G (2001) Family Strength, Labor Party 2001 election policy statement. This document commits a Gallop Government to “develop alternatives to competitive tendering for community organisations” (p. 2)
120 Craig Johnston Policy Futures and RPR Consulting, 1997, Implementation of Service Purchasing Arrangements in the Australian Capital Territory: a Report to the Chief Minister’s Department, p. 27
121 ACT Government 2000, Community Services Purchasing Guidelines for purchasing and pricing services from non-profit non-government organisations and other suppliers, using competitive assessment, Canberra
was adapted for the sector, based on market or quasi-market arrangements.\textsuperscript{122} This approach shifts the emphasis from ‘competitively assessed’ applications for funding to a competitive tendering model. The methods used for establishing ‘price’ are (1) benchmarking prices in other jurisdictions and (2) competitive tendering.\textsuperscript{123} The ACT community service purchasing guidelines outline two models: first, ‘open price’ competition for services purchased in ‘mature markets’ and, second, ‘fixed price’ competition whereby differences in the ‘product’ differentiate potential suppliers.\textsuperscript{124} The application of these models is expected to produce an efficient purchasing price.\textsuperscript{125}

However, not all programs and services may be contestable in an open market. Limited tender is therefore allowed in certain circumstances – that is, where there is a small market, where contracts are under $50,000 and/or where tender costs are considered to outweigh benefits.\textsuperscript{126} Provision also exists for Cabinet or a Minister to direct single organisation funding and for in-house service delivery where an exception can be justified.\textsuperscript{127}

Although ACT purchasing and service agreement documentation still reinforces the values of competitive tendering, the Territory Government and the non-government sector are moving towards developing a compact of values and principles to underpin the relationship between the Government and the community sector. The Government recognised that service agreements in the human services area are different from other contracts and cannot capture the full range of activities, values and principles involved in the provision of human services. Service agreements have tended to be used as a vehicle for defining the relationship between the Government and community service organisations. An important problem associated with the purchaser/provider split resulting

\textsuperscript{122} Ibid, p. i
\textsuperscript{123} Ibid, p. 4
\textsuperscript{124} Ibid, p. 6
\textsuperscript{125} Ibid, p. 7
\textsuperscript{126} Ibid, p. 4
\textsuperscript{127} Ibid, p. 5
from competitive tendering in the ACT is the separation of community organisations from the service planning process.\(^{128}\)

### 4.2.6 Summary

Important issues which emerge from the above discussion of funding and service agreement frameworks include:

- Australian State Governments are generally moving away from a purely market based approach of competitive tendering of social services. Evidence from Western Australia suggests recognition of the difficulty in establishing market conditions for providing human services, and Western Australia has modified its approach to allow for preferred suppliers. In the ACT, the newly introduced purchaser/provider model acknowledges that mechanisms need to be introduced to provide community services under non-market conditions; and

- an evaluation of the Single Service Agreement in Queensland found that its effect on the relationship between Government and community organisations varied according to resourcing of Departments and the knowledge of individual officers.\(^{129}\)

### 4.3 Nature of contractual relationships

#### 4.3.1 New South Wales

The guidelines for service agreements, developed as part of the corporate services reform, focus on areas such as human resource management, fleet and property management and legal services, rather than human services provision.\(^{130}\) In addition, the guidelines focus on output measures, and the requirements of

---

\(^{128}\) Mr D Stubbs, Director, Australian Capital Territory Council of Social Service, personal communication, 30 May 2001


\(^{130}\) New South Wales Premier’s Department 1999, *Service Level Agreements. Guidelines for Public Sector Organisations*, Sydney
service provision are quite detailed. In setting service level expectations and monitoring, departments are advised to prescribe indicators such as response times for services, processing times and accuracy in transactions.\textsuperscript{131}

The Department of Community Services also uses a funding and performance agreement pro forma setting out the terms of the relationship between the Department and the community organisation providing services.\textsuperscript{132} The introduction to the funding agreement acknowledges that the parties should plan and provide services, and states that the relationship is one where the ‘community sector, Department of Community Services and other Government agencies … work in partnership’. However, the agreement is written in terms of the Department setting out the responsibilities of the service provider, using statements such as ‘you will’ and ‘you are to comply with’.\textsuperscript{133} The responsibilities of the Department of Community Services under the agreement simply reflect its position as a funder of services. The service agreement states that the Department’s commitment is to ‘provide funds to you [the community organisation] to support the services listed in Schedule A’. In this way, most of the Department’s standard service agreement is concerned with identifying the Government’s expectations of a service provider rather than providing principles around which sharing and partnership might develop.

Funding in New South Wales is provided for one year, three years, fixed terms or one-off.\textsuperscript{134} The funding and performance agreement offers little guidance on the nature of performance measures, although provisions deal with the processes relating to performance measurement. The Department requires the opportunity to attend board meetings, visit service providers, view all service records and documentation, take extracts of records and evaluate compliance. An important feature of these objectives is

\begin{thebibliography}{10}
\bibitem{131} Ibid
\bibitem{132} Department of Community Services (New South Wales) 2001, \textit{Funding and Performance Agreement}, Sydney
\bibitem{133} Ibid
\bibitem{134} Department of Community Services (New South Wales) 2001, \textit{Funding and Performance Agreement, Schedule A}, Sydney
\end{thebibliography}
that the focus of attention goes beyond the effective management of a contract, to include a set of broader principles and values that Government is attempting to achieve.

In some areas, the funding provisions do not include operational costs or overheads, but only reflect the costs of providing individual units of service. The Committee was informed that this funding formula is problematic in several ways:

- funding by units of service militates against solving broader problems in the community sector;
- there is little scope for innovation in service provision if funding is tied solely to unit costs; and
- simply specifying service provision as purchasing by unit cost does not foster or promote cooperative relationship building between the Department and community organisations.\(^{135}\)

An important criticism of Government contracting is that it tends to focus on cost efficiencies and is a means of avoiding broader policy mandates relating to equity, social justice and environmental protection.\(^{136}\) The New South Wales approach to procurement seeks to address these concerns by including social and environmental responsibilities in the notion of value for money.\(^{137}\)

### 4.3.2 Queensland

The Queensland Government has attempted to simplify funding arrangements and clarify the respective roles and responsibilities of the Government and community organisations. Roles and responsibilities have been outlined in a range of supporting publications on issues such as outcome descriptors, performance

---

\(^{135}\) M Perkins, Acting Director, New South Wales Council of Social Service, personal communication, 15 June 2001


measures, definitions of funded activities, conditions of funding and a statement of partnership. This documentation supports other specific funding arrangements.

An important change in Queensland has been the movement from funding programs to funding outcomes. Accordingly, the Government has trialled a single service agreement for more than one program having a common set of outcomes. This change simplifies funding and administrative arrangements between service providers and community organisations. While these funding arrangements might simplify the complexity associated with program funding of community services, community service organisations have been critical of the extent to which they align community organisations to departmental imperatives. The set of funded activities applied to service agreements is derived from the National Classifications of Community Services, for example, and service plans must use these standard activities. Community organisations pointed out that these activities are inflexible and fail to represent the variety of activities of community organisations.

Families, Youth and Community Care Queensland funds community services provision mainly through a submission process. Service plans are the instruments for managing program delivery and funding arrangements in relation to grants allocated by the Department. The plans outline activities, target groups, performance objectives and criteria by which to measure these objectives. Some services may be supplied under a

---

138 Government of Queensland 2000, *The Community Services Funding Book*, Families, Youth and Community Care, Brisbane
141 Government of Queensland 2000, *The Community Services Funding Book*, Families, Youth and Community Care, Brisbane, p. 6
142 Ibid
143 Government of Queensland 2001, *Service Plan. Schedule to the Funding Agreement*, Families, Youth and Community Care, Brisbane
144 Ibid
consultancy agreement as they provide greater flexibility in terms of staff deployment and what inputs are used.

The Queensland Department of Health has quite deliberately moved from submission based proposals to a competitive tender process for service delivery in the community sector. This change highlights tighter outcomes determined by Government. The scope of organisations to deliver services is prescribed and may offer providers limited capacity to develop models of practice.

The Queensland guidelines provide for three-year funding agreements with an annual evaluation.\textsuperscript{145} The funding agreement secures the legal relationship between the community organisation and the Government,\textsuperscript{146} although service agreements are not identified as being legally binding.

### 4.3.3 South Australia

The South Australian standard service agreement reflects an attempt to capture a co-operative approach to Government and community sector relations. In the Working Together framework, service agreements are not defined as legal documents within the agreement. However, the service agreements do canvass the prospect of being tested in the courts.

### 4.3.4 Western Australia

The guiding principle for service agreements in Western Australia is that the providers of community services are restricted to being non-profit organisations.\textsuperscript{147} A recent important change in procurement policy is the move towards the abolition of compulsory market testing through competitive tendering, to be replaced with a contract options review.\textsuperscript{148} Such a review allows for either open competitive tendering or continued service

\textsuperscript{145} Government of Queensland 2000, \textit{The Community Services Funding Book. A Guide to Community Service Outcomes funded by Families, Youth and Community Care}, Brisbane, p. 4

\textsuperscript{146} Ibid, p. 4

\textsuperscript{147} Government of Western Australia 1999, \textit{Family and Children’s Services Proposed Procurement Strategy. Purchasing Quality Services}

\textsuperscript{148} Ibid
provision by the existing provider by conferring preferred supplier status.\textsuperscript{149}

Problems with competitive tendering in Western Australia have included information deficiencies, an inability to define purchases, and the high costs of tendering and compliance processes.\textsuperscript{150}

Service agreements contain reasonably rigorous reporting requirements, with the following data to be accessible to the Minister within 10 days notice: financial records, management records and minutes, staff records, client records, annual reports and outcome and output measures. Service providers are also required to provide reports every six months – outlining their success in achieving outcome objectives, the factors contributing to success and failures, problems with service provision and other achievements – and to provide audited financial statements.\textsuperscript{151}

Service agreements in Western Australia usually relate to an annual funding appropriation, but assume three-year rolling funding that allows consistency of service provision by, and stability of funding arrangements for, organisations within the non-profit sector. They are considered to be legal documents binding the non-government organisation to provide services.\textsuperscript{152}

4.3.5 Australian Capital Territory

In the ACT, service agreements refer to the contractual arrangements by which the Territory (as purchaser) contracts work with a supplier for delivery of specified services.\textsuperscript{153} Purchasing services in the human services area links into a coordinated approach to purchasing such that ‘all contract arrangements are to

\begin{flushright}
\textsuperscript{149} Family and Children’s Services (Western Australia) 1997, Submission to the Standing Committee on Family and Community Affairs on Competitive Tendering of Welfare Service Delivery, p. 5
\textsuperscript{150} Western Australia Auditor-General 2000, A means to an end: Contracting Not-For-Profit Organisations for the Delivery of Community Services, Report No. 3
\textsuperscript{151} Government of Western Australia 2001, Family and Children’s Services Service Agreement, pp. 22-24
\textsuperscript{152} Ibid, p. 2
\textsuperscript{153} ACT Government 2000, Community Services Purchasing Guidelines for purchasing and pricing services from non-profit non-government organisations and other suppliers, using competitive assessment, Canberra, p. 1
\end{flushright}
be consistent with Government policy, with purchasing policy and principles and with legislative requirements'.

While competitive tendering forms the basis of the provision of human services in the ACT, the Government acknowledges the need to consider non-price factors, such as regional impacts, tenderer's capacity and previous performance, in cases deemed to be risky or complex.

4.3.6 Summary

In summary, the following important issues relate to the nature of service agreements:

- service agreements are generally considered to be legal documents because they are identified as such or contain provisions for being tested in the courts. The seemingly legal nature of these agreements has important implications for the way in which governments use service agreements. Community organisations in Queensland, the ACT and New South Wales have expressed concern over the extent to which performance measures may be used in legal action, regardless of whether the measures are a realistic indicator of performance;

- the nature of service agreements varies considerably within State Government Departments and among service providers, with respect to how they manage relationships between Government and community organisations. Variations relate to who develops the agreement, levels of control and flexibility, and the specificity of outputs. These variations would be expected given the diversity of services, program clients and historical relationships between the Government and service providers;

---

155 ACT Government 2000, op cit, p. 10
• the Committee understands that there have been problems associated with attempting to standardise service agreements in Western Australia and Queensland (for example, Siggins Miller Consultants identified a difficulty with trying to fit standard clauses to services that are distinctive, region-specific or complex). From the experience in South Australia, it appears that flexible service agreements are more likely to accommodate the diversity of services that the Government contracts to community organisations, and to encourage partnerships;\textsuperscript{156}

• a common concern of community service organisations is that service agreements have moved from satisfying the needs of a community to addressing the demands of Government Departments. The types of issues identified across the States include the focus on quantitative measures and cost, reporting requirements, and evaluation processes. These issues are not easily resolved as Government Departments are subject to the demands of public accountability.

4.4 Dispute resolution

4.4.1 New South Wales

Standard service agreement documentation in New South Wales identifies the parties to the agreement as being responsible for instituting dispute resolution procedures, and identifies the Director-General of the appropriate government department as the ‘final arbiter’ of a dispute.\textsuperscript{157}

In the funding and performance agreement of the Department of Community Services, parties are directed to resolve a dispute with the Department by first taking the matter to the departmental staff member and then through to the next most senior officer. A

\textsuperscript{156} Ms P Simmons, Director, South Australian Council of Social Service, personal communication, 29 May 2000

\textsuperscript{157} New South Wales Premier’s Department 1999, Service Level Agreements. Guidelines for Public Sector Organisations, Corporate Services Reform Team, Sydney
mediator is then appointed to facilitate negotiations.\textsuperscript{158} However, the final decision in any dispute rests with the Minister.\textsuperscript{159}

Some agreements contain clauses about dispute resolution procedures while other agreements contain no such provisions. Further, some agreements contain provisions for the appointment of a private mediator, which is an expensive exercise and prohibitive for most community organisations.\textsuperscript{160}

The New South Wales Government is the only State Government with a Community Services Commission. Established in 1993, the Commission is an independent watchdog that can receive complaints and undertake research and inquire into the practice standards of non-government services to children, young people and vulnerable adults.\textsuperscript{161}

The Commission undertook formal mediation between the non-profit alternative care sector and the Department of Community Service when they negotiated an agreed benchmark in establishing services to young people.

The Commission’s operating brief includes taking steps to improve the quality of community services and to independently monitor services. The focus is on maintaining the rights of consumers of community services.\textsuperscript{162} The major role of the Commission is to advocate on behalf of clients or recipients of community services, rather than for those organisations that provide services in the community sector.

### 4.4.2 Queensland

Queensland has no formal dispute resolution processes.

\begin{itemize}
\item[158] Department of Community Services (New South Wales) 2001, \textit{Funding and Performance Agreement}, Sydney
\item[159] Ibid
\item[160] M Perkins, Acting Director, New South Wales Council of Social Service, personal communication, 15 June 2001
\item[161] Community Services Commission 2000, \textit{Annual Report Summary 1999-2000}
\item[162] Ibid
\end{itemize}
4.4.3 South Australia

Dispute resolution processes were established in South Australia in April 2001. They provide a mechanism for an organisation to make a complaint and receive an immediate response. Previously, the only mechanism available to community organisations was to write to the relevant Minister.\textsuperscript{163}

4.4.4 Western Australia

Western Australia’s service agreements include provisions for dispute resolution by a committee that includes an independent mediator.\textsuperscript{164} There are also mechanisms for the Minister to suspend funding if there are any variations to the provisions and services defined in the service agreement. Appeal processes regarding the preferred supplier status in Western Australia are instituted to allow an existing supplier to appeal a decision to not recommend the non-profit organisation as a preferred supplier.\textsuperscript{165}

4.4.5 Australian Capital Territory

In the ACT, dispute resolution processes for non-profit services accord with overarching public sector contract management and complaints handling processes contained in Department of Urban Services documentation, Effective Complaint Handling for ACT Contracts. However, this process articulates the complaints handling mechanism according to the principles of the more general contract management processes, rather than allowing the community sector providers to access a forum for resolving issues in the human services area.

The dispute resolution process is considered to be quite weak because the complaints mechanism is handled by an outside source and the process is disjointed. As a result, complaints do not

\textsuperscript{163} Ms P Simmons, Director, South Australian Council of Social Service, personal communication, 29 May 2001
\textsuperscript{164} Government of Western Australia 2001, \textit{Family and Children’s Services Service Agreement}, p. 14
\textsuperscript{165} Ibid, p. 16
reach resolution and community organisations bear the cost of managing any problems.  

4.4.6 **Summary**

While the language and principles of negotiation and partnership have been included in service agreement documentation, the provisions for resolving disputes are not well developed. The following issues also hinder dispute resolution:

- contractual clauses and service agreement provisions cannot anticipate potential conflicts that may arise in the planning and delivery of human services. A significant feature of service delivery in the community sector is the difficulty in specifying the manner in which those services are to be delivered, measured and evaluated. It is good practice to have formal dispute resolution processes that can provide appropriate mechanisms to resolve or mediate disputes; and

- service agreement contracts rarely define the responsibilities of the Government, but mostly focus on the responsibilities of community organisations. If the framework is to reflect a partnership approach, the Government’s responsibilities should be included in contracts and be subject to dispute resolution processes.

---

166 Mr D Stubbs, Director, Australian Capital Territory Council of Social Service, personal communication, 30 May 2001


168 Department of Human Services (South Australia) 2000, *Service Agreement for the period 1 July 2000*, Metropolitan Division; Department of Family and Children’s Services (Western Australia) 2001, *Service Agreement*; and Department of Community Services (New South Wales) 2001, *Funding and Performance Agreement*
Elements of best practice dispute resolution include:

- dispute resolution processes that are articulated to human services providers and purchasers rather than related to the more general contractual arrangements in Government purchasing arrangements; and

- the establishment of a Community Services Commission or equivalent that oversees the operation of Government Departments and community service organisations and investigates complaints in the sector on behalf of community organisations and Government Departments.

4.5 Performance measurement

4.5.1 New South Wales

In New South Wales, evaluations are carried out on services funded for longer than one year and performance is measured according to performance standards and targets set out in Service Plans.\(^{169}\) Reporting requirements include annual reporting on targets and objectives, financial reporting, reports tabled at annual general meetings and reports of surveys and data collection.\(^{170}\) It is argued that the measures are crude numbers that are expensive and time consuming to collect but do not adequately measure regional differences or acknowledge the long-term nature of services, and that they are focused on output measures rather than outcome measures.\(^{171}\)

4.5.2 Queensland

The Queensland Government has shifted to an outcomes based approach to performance measures within the community services sector. The outcomes are based on establishing the effect or

---

\(^{169}\) Department of Community Services (New South Wales) 2001, *Funding and Performance Agreement*

\(^{170}\) Ibid

\(^{171}\) M Perkins, Acting Director, New South Wales Council of Social Service, personal communication, 15 June 2001
consequence for the community or the client\textsuperscript{172} within eight key funding areas: child care, child protection and family support, community support services, domestic violence prevention, homelessness, older people, youth development and youth justice.\textsuperscript{173}

Both qualitative and quantitative indicators are used to measure outcomes in Queensland. The number of clients served is a quantitative outcome of homelessness programs, for example, but a better capacity to live independently is considered to be a positive program outcome.\textsuperscript{174} There may be a problem with conflicting outcomes because anomalies arise from Commonwealth-State coordination and historic funding arrangements between the State and Commonwealth Governments. Outcomes may be difficult to interpret where they are linked and the determination of priorities may then become an issue – for example, is it appropriate to measure domestic violence programs under a strategy of homelessness or domestic violence (the benefit of the latter being that the outcomes measurement may focus on not just maintenance of independent living arrangements but also safety from violence).

4.5.3 South Australia

Performance measurement and evaluation criteria regarding human services are not well developed in South Australia, because performance evaluation is not well understood and structural problems inhibit monitoring of service delivery.

Both community service organisations and the Government recognise the importance and difficulties of developing means of measuring and evaluating service quality.

\textsuperscript{172} Department of Families, Youth and Community Care (Queensland) 2000, The Community Services Funding Book. A Guide to community service outcomes funded by Families, Youth and Community Care, p. 4
\textsuperscript{173} Ibid
\textsuperscript{174} Ibid, p. 30
4.5.4 Western Australia

In Western Australia, ongoing performance monitoring and evaluation is conducted on a three-year basis.\textsuperscript{175} The evaluation framework in that State contains a mix of output and outcome criteria. Output measures include appropriateness, quality, accessibility and efficiency of production, incorporating measures of whether the provider meets demands for service, processes for quality and timely delivery, the effective unit cost of the product and whether the service meets identified needs. Outcomes are evaluated on impact, effectiveness and cost effectiveness, including whether the service addresses the identified problem, the achievement of desired outcomes and a comparison of unit cost with the cost of other types of strategies.\textsuperscript{176}

4.5.5 Australian Capital Territory

The ACT Government has developed output based criteria based on quantity, quality, timeliness and price.\textsuperscript{177} Outcomes are outlined in service agreements, but are expressed only in terms of broad principles. The ACT Council of Social Service believes that outputs are an important indicator in service agreements because they indicate the level and type of activity being funded and provided.\textsuperscript{178} The service agreement is based on a standard contract. The process of negotiating the outputs and the costings is time consuming for the sector, but at least the new system allows negotiation and flexibility in the joint development of the details of service agreements.\textsuperscript{179}

\textsuperscript{175} Government of Western Australia 1999, \textit{Family and Children’s Services Proposed Procurement Strategy. Purchasing quality services}, p. 3
\textsuperscript{176} Ibid, p. 21
\textsuperscript{177} ACT Government 2000, \textit{Community Services Purchasing Guidelines for purchasing and pricing services from non-profit non-government organisations and other suppliers, using competitive assessment}, Canberra, p. 1
\textsuperscript{178} Mr D Stubbs, Director, Australian Capital Territory Council of Social Service, personal communication, 30 May 2001
\textsuperscript{179} Ibid
4.6 Other implementation issues

Service agreements in most States have had a number of implementation problems. First, there is a common concern that funding Departments do not adhere to appropriate timelines in signing contracts, delivering funds and considering service proposals. Within the community services sector, there is a perception that processes focus on the performance of community organisations but not on the performance of Government Departments. The Western Australian Auditor-General, for example, found that government tendering decisions are not being communicated to not-for-profit organisations in a timely manner.\(^{180}\)

In the ACT, contracts may be sent out shortly before a program starts. These tight timeframes create difficulties for community organisations. Such delays also indicate the Government’s lack of understanding of the structure and nature of the community sector, with its reliance on volunteers, and the difficulty in bringing different parties together to sign service agreements.\(^{181}\)

Second, personal relationships between departmental officers and the staff of community organisations are central to a successful relationship between the parties. State councils of social service and community organisations noted that the values, competence and skills of departmental staff have an important influence on the Department’s relationship with community service organisations. The Western Australia Auditor-General found that not-for-profit organisations have expressed concern about the skills of Government contract managers and turnover of staff in these positions.\(^{182}\) Similar problems are evident in the Queensland evaluation of the single service agreement.\(^{183}\) In reply to the question of how service agreements are working, the Queensland Council of Social Service representatives responded that it

\(^{180}\) Western Australia Auditor-General 2000, A means to an end: Contracting Not-For-Profit organisations for the delivery of community services, Performance Report No. 3, p. 6
\(^{181}\) Mr D Stubbs, op. cit;
\(^{182}\) Western Australia Auditor-General, op. cit; p. 7
\(^{183}\) Siggins Miller Consultants 2001, Evaluation of a Single Service Agreement and Pilot Process
depends on the departmental officer dealing with the agreement. To develop a successful relationship between Government and the community sector, is as much about attitude as knowledge, and a relationship of trust is a crucial element in building a successful partnership.\textsuperscript{184}

Finally, the issue of the full cost of service provision is important. Core supply costs in the ACT, for example, are considered to be costs of human resource management, travel, consumables and other purchased services.\textsuperscript{185} Importantly, these core costs contain an acknowledgement that salaries are paid at relevant award level, and, that the costs of volunteers (including management, supervision and training) are included.\textsuperscript{186} Indirect costs include staff management costs, accommodation expenses and outlays for information technology, mail and printing.\textsuperscript{187}

The base funding comprising direct and indirect costs that accurately reflect the cost of providing services is a significant feature of the ACT service agreements. It is argued that the costing and provision of personnel is flexible, in that the prime consideration in the service agreement is the organisation’s requirement to deliver a quality product rather than the Government’s specification of service delivery requirements.\textsuperscript{188} Confirming this approach, the ACT guidelines emphasise the purchase of tangible services and suggest that the role of the purchasers (that is, Government via its agencies) is not to micro-manage the contracts.\textsuperscript{189}

\textsuperscript{184} Mr D Stubbs, Director, Australian Capital Territory Council of Social Service, personal communication, 30 May 2001
\textsuperscript{185} ACT Government 2000, \textit{Community Services Purchasing. Guideline for Purchasing and Pricing services from nonprofit nongovernment organisations and other suppliers, using competitive assessment}, p. 8
\textsuperscript{186} Ibid, p. 8
\textsuperscript{187} Ibid
\textsuperscript{188} Mr D Stubbs, Director, Australian Capital Territory Council of Social Service, personal communication, 30 May 2001
\textsuperscript{189} ACT Government 2000, op.cit; p. 8
4.7 International developments

4.7.1 Canada

The Voluntary Sector Roundtable Panel on Accountability and Governance prepared a report entitled Building on Strength, Improving Governance and Accountability in Canada’s Voluntary Sector (1999) examining issues relating to enhancing the role of the voluntary sector in contributing to society. In 1999, the Canadian Government and the voluntary sector entered into a joint project to build capacity and improve relationships between the parties. Working Together\textsuperscript{190} was the result of these deliberations about building new relationships, strengthening capacity and improving the regulatory framework within the voluntary sector.

While Building on Strength acknowledges the difficulty in applying the principle of outcome measurement, particularly in relation to the delivery of services in the voluntary sector, it advocates the adoption of outcome-based assessment, as this framework allows voluntary organisations to show they make a positive difference.\textsuperscript{191} Longer term agreements between the Government and the voluntary sector are promoted as an important aspect of the new framework for delivering services.

The Canadian proposal focuses on institutional arrangements that are more closely aligned to power sharing, and on mutual rights and responsibilities. The Canadian report concentrates on indirect funding issues, emphasising concerns such as the need to amend the Income Tax Act to allow greater flexibility for non-profit organisations to benefit from better funding regimes.\textsuperscript{192} However, the issue of direct funding through Government support is less clear, with Building on Strength calling for a review of arrangements and recommending consistency through the


\textsuperscript{191} Broadbent, E 1999, \textit{Building on Strength: Improving Governance and Accountability in Canada’s Voluntary Sector}, Panel on Accountability and Governance in the Voluntary Sector, p. 36

adoption of government-wide funding arrangements and guidelines.\textsuperscript{193}

Funding for services is suggested on an ongoing, multi-year basis to promote consistency in service provision and allow organisations time to develop a strategic focus.\textsuperscript{194} The funding regime is recommended to account for capacity building, including the coverage of the costs of training and development, the dissemination of innovative services and the coverage of core operational costs (namely, the costs of information technology, staff training, supporting and managing volunteers and human resource management).

4.7.2 New Zealand

Several reviews were conducted in the 1980s into the funding arrangements of voluntary community organisations in New Zealand.

Shortcomings identified include:\textsuperscript{195}

- confusion about, or lack of consistency in, the responsibilities of various departments and funding programs;
- a large proportion of funds being tied up in pre-allocations (usually to large national voluntary organisations) and therefore being unavailable to newer and smaller organisations;
- distorted incentives in certain funding mechanisms; and
- an over-reliance on a submission-driven approach, with inadequate attention to planning the equitable distribution of funding for services on the basis of need.

\textsuperscript{193} Broadbent, E op.cit; p. 35
\textsuperscript{194} Ibid, p. 85
\textsuperscript{195} Nowland-Foreman, G 1997, ‘Can voluntary organisations survive the bear hug of government funding under a contracting regime? – a view from Aotearoa/New Zealand’, in \textit{Third Sector Review}, vol 3(1), pp. 6-7
A new contracting regime for social services was introduced in the early 1990s. The New Zealand Government described it as both a major change and nothing new. The way in which the Government would relate to voluntary organisations was cited as the major change:

... reaching a mutually agreed contract may be both a “learning” and time-consuming process for all groups concerned.

The Minister for Social Welfare also noted that the separation between the funders and the different providers that supply the service – that is, the funder/provider split that is an essential feature of purchase-of-service contracting – was already a feature of many social services.

In New Zealand, the Government’s funding relationships have moved through the following sequential stages:

1. List approach: donations to worthwhile organisations;
2. Submission model: program grants in response to submissions;
3. Needs-based planning: program grants allocated on the basis of some form of service planning;
4. Purchase of service contracting: tendering for contracts to undertake specified services; and
5. Vouchers and cash allowances: funding to individuals to purchase services from accredited providers or the market.

The funding relationship in New Zealand today shifts between the second, third and fourth stages, but sits mainly in the fourth stage,

---

196 Contracting in New Zealand has represented the reverse features usually associated with privatisation – that is, increased government control over services previously conducted much more autonomously by voluntary organisations receiving less narrowly specified and less tightly monitored grants. Contracting has only rarely been used to directly privatise social services with some notable exceptions. (Ibid, p. 17)

197 Department of Social Welfare (New Zealand) cited in Ibid, p. 16
although the Committee understands that there are examples of all five stages in operation.

The Government recognised limitations in the structure of the contracting approach in 1996, stating:

... current arrangements with the sector based on purchase-of-service contracting may not, in themselves, be sufficient to maintain a healthy not-for-profit sector, and other mechanisms to promote and secure the capacity of the sector may need to be considered.\textsuperscript{198}

Elements of the contracting model remain a concern for the community and voluntary sector. The Community and Voluntary Sector Working Party reported in April 2001 that:

The Working Party heard a steady stream of comments about the difficulties with the contract model of funding. In particular there was a sense that narrowly defined contracts had turned many aspects of social service and other community activity into ‘commodities’ or commercial transactions, losing sight of the whole service provided – or the whole organisations which had previously been the focus of central government’s funding to community organisations.\textsuperscript{199}

Further, there was a clear impression that short-term funding horizons, contracts rolled over with increased service levels for the same funding, and unnecessarily complex reporting requirements that do not match the organisation’s own needs were all ongoing characteristics of current Government contracting practice across the board.\textsuperscript{200}

\textsuperscript{198} Department of Social Welfare, op.cit; p. 22
\textsuperscript{200} Ibid, p. 79
The Working Group recommendations include:\(^{201}\)

- as a contracting standard, there should be a presumption of three to five-year funding, with periods of less than three years requiring explicit justification i.e. pilot projects;
- payments made by the Government to organisations should be made in accordance with the contract schedule, with any late payments carrying a penalty fee;
- contracting practices should include negotiations conducted in good faith, with the inclusion of performance measures of value to both parties; and
- all contracts with Iwi/ Maori, community and voluntary organisations should allow for a component that recognises the administrative and overhead costs to the organisation, including support for volunteers, staff training and organisational development.

4.7.3 England

The British Government’s Compact sets out rights and responsibilities of the Government and the community sector in terms of a set of prescribed undertakings. The undertakings of the Government focus on ensuring value, accountability, transparency and sustainability but also acknowledge the requirement to fund the costs of infrastructure and core expenses and the role of advocacy.\(^{202}\)

The undertakings of the community and voluntary sector focus on adhering to good practice in terms of appropriate employment and management policies, including equal opportunity, systems of audit and financial accountability, planning systems for work programs and monitoring and evaluation processes.\(^{203}\) Dispute resolution is premised on the parties to the agreement resolving

---

\(^{201}\) Ibid, p. 136  
\(^{203}\) Ibid, p. 5
their disagreements over the application of the Compact; however, the parties can resort to a mediator if negotiation fails.  

The Compact focuses on grants to community organisations rather than on the use of competitive tendering or contracting processes to fund community services. However, the sector’s £4 billion annual expenditure is shared equally between grants (strategic and project) and purchases, which include contracts.

The activities of organisations within the sector are to be encapsulated within yearly action plans that contain major activities and objectives, focusing on quantitative performance measures and task completion deadlines. Performance is measured according to the degree to which identified objectives are met through an agreed work program and schedule of tasks.

The United Kingdom is another jurisdiction that has moved away from competitive, market models of funding community services. It has deliberately moved towards a model based on co-operation, partnership and participation. This change recognises that Governments alone have limited capacity to identify need, specify requirements and assess outcomes.

The Compact outlines various funding arrangements and models which are not exclusive, so they can be used in conjunction to extend the activities and services of community organisations. The first is multi-year strategic funding, which provides for stability of funding over time and is used to achieve broad objectives (such as building capacity and funding organisations that have an implicit value as part of their role in the community sector). The funding covers core operational activities of community organisations.

---

204 Ibid, p. 8
207 Ibid, p. 21
208 Ibid, p. 36
209 Ibid, p. 36
210 Ibid, pp. 6-7
Project funding is associated with meeting the costs of specific activities over an agreed period, although some core costs are met in this type of funding scheme. This coverage contributes to core costs and a discrete and recognisable product.\textsuperscript{211}

Development funding is used to expand services or offer an additional range of services, and has a flexible time scale, from a short period to the usual three-year threshold.\textsuperscript{212}

Other types of funding include matching funding that supplements other income sources, although this may include in-kind contributions and contracts for partnership based initiatives that involve contractual delivery of services.\textsuperscript{213}

The funding regime attempts to include a wide range of activities, including advocacy, evaluation and monitoring costs, and addresses core funding costs within a longer-term period.\textsuperscript{214} Grants are normally allocated for a funding cycle of three years.\textsuperscript{215} The Compact introduces the concept of strategic funding to assist capacity building within the community sector in order to engage with the Government.\textsuperscript{216} Organisations that include volunteer and community involvement as significant activities receive preference in funding.\textsuperscript{217}

\textsuperscript{211} Ibid, p. 8
\textsuperscript{212} Ibid, p. 8
\textsuperscript{213} Ibid, p. 9
\textsuperscript{214} Ibid, p. 4
\textsuperscript{215} Ibid, p. 36
\textsuperscript{216} Ibid, p. 5
\textsuperscript{217} Ibid, p. 29
### Exhibit 4.1: Summary of current trends in the funding of community services by Governments in Australia

<table>
<thead>
<tr>
<th>Issue</th>
<th>Current Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guiding principles</td>
<td>• A general movement towards standardised government purchasing policies and procedures.</td>
</tr>
<tr>
<td></td>
<td>• Principles usually emphasise accountability – for example, open processes, performance measurement, probity, setting standards.</td>
</tr>
<tr>
<td></td>
<td>• Common use of the language of local supply, local management and autonomy.</td>
</tr>
<tr>
<td>Funding frameworks</td>
<td>• Weakened enthusiasm for competitive tendering (although the language is still common in documentation). The most common implementation problem is that competitive markets do not exist.</td>
</tr>
<tr>
<td></td>
<td>• Varying approaches to funding across different agencies and often between programs. Most States have a wide mix of ways in which they fund programs.</td>
</tr>
<tr>
<td></td>
<td>• General trend towards more stable funding regimes, especially towards three-year agreements.</td>
</tr>
</tbody>
</table>
### Exhibit 4.1 (continued)

<table>
<thead>
<tr>
<th>Issue</th>
<th>Current Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractual relationships</td>
<td>• Agreements often tend to be the defining basis of the relationship between Government and the community sector.</td>
</tr>
<tr>
<td></td>
<td>• Considerable variation among service agreements (although there have been recent attempts to standardise these agreements in States such as Queensland).</td>
</tr>
<tr>
<td></td>
<td>• A common issue is that service agreements are orientated towards meeting Government agency imperatives rather than meeting community demands.</td>
</tr>
<tr>
<td>Funding model</td>
<td>• Queensland is trialling its Single Service Agreement.</td>
</tr>
<tr>
<td></td>
<td>• South Australia and New South Wales use a mix of submission, historical funding, grants and some competitive tendering.</td>
</tr>
<tr>
<td></td>
<td>• Western Australia has used a mix of competitive tendering, preferred supplier and submission.</td>
</tr>
<tr>
<td></td>
<td>• The ACT has adopted a competitive tendering model but is examining the concept of a Compact with the sector.</td>
</tr>
<tr>
<td>Time issues</td>
<td>• A move towards three-year funding in most States.</td>
</tr>
<tr>
<td></td>
<td>• A common issue raised by community organisations in all States is that Government agencies do not meet timelines.</td>
</tr>
</tbody>
</table>
Chapter 4: Use of service agreements in other States, Territories and overseas

Exhibit 4.1 (continued)

<table>
<thead>
<tr>
<th>Issue</th>
<th>Current Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dispute resolution</td>
<td>• New South Wales has a Community Services Commission.</td>
</tr>
<tr>
<td></td>
<td>• Queensland has no formal processes.</td>
</tr>
<tr>
<td></td>
<td>• Western Australia has provisions for the appointment of an independent arbitrator, although the Minister has strong powers.</td>
</tr>
<tr>
<td></td>
<td>• The ACT has a dispute resolution framework for all contracts – Effective Complaint Handling for ACT Contracts.</td>
</tr>
<tr>
<td>Performance</td>
<td>• New South Wales organisations have strong provisions to conduct their own evaluation of outcomes.</td>
</tr>
<tr>
<td>measurement</td>
<td>• Queensland is moving to standardise measures and link them to outcomes instead of outputs.</td>
</tr>
<tr>
<td></td>
<td>• Western Australia has a mix of outcome and output measures.</td>
</tr>
<tr>
<td></td>
<td>• ACT outcome measures relate to quantity, quality, timeliness and price.</td>
</tr>
</tbody>
</table>

The information gathered by the Committee regarding contracting and funding arrangements for community and welfare services in overseas jurisdictions indicates that the relationship between the Government and non-government sectors is under review in Canada, New Zealand and Britain. This issue is examined in more detail in chapter 12. However, the evidence also indicates that overseas jurisdictions are grappling with similar issues to those in Victoria, namely:

- the duration of contracts;
- methods of provider selection;
• how to enhance performance measurement to focus on outcomes rather than just outputs;
• capacity building of the non-government sector; and
• dispute resolution.

Accordingly, the Committee recommends that:

Recommendation 4.1:

The Department of Human Services, when developing the future policy and legislative framework for service agreements and partnerships, consider the experiences of interstate and overseas jurisdictions with the contracting and funding of human services.
CHAPTER 5: ACCESS TO SERVICES, SERVICE GAPS AND EMERGING NEEDS

Key Findings:

5.1 The Government has indicated its commitment to reintroducing cooperative planning processes at the local, regional and statewide level. Such processes are designed to identify existing services against current and emerging needs, and to identify priority areas for new funding.

5.2 The Head Office of the Department of Human Services is responsible for policy development and the setting of service requirements. The Department of Human Services acknowledged deficiencies in both the transparency of its planning and the limited involvement of providers in planning. The Department of Human Services has been restructured to create consultative planning units in each departmental region, but no further details were provided at the time of the hearings.

5.3 The Department of Human Services advised that one of its main approaches to ensuring equity of access to services is to apply equity formulae. Historical funding allocations are still being used in addition to equity formulae.

5.4 A significant number of service providers expressed concern about being excluded from the planning process and about the lack of appropriate mechanisms to assess local needs.

5.5 Service providers identified shortcomings in the operational aspects of service planning by the Department of Human Services.
Key Findings (continued):

5.6 Service providers expressed concerns that limited use was made of the data and information collected by them for service planning and that there was little evaluation of the effectiveness of existing programs.

5.7 Many submissions and witnesses raised issues relating to service gaps, access to services, the capacity of the system to change to meet emerging needs, the impact of service fees, eligibility criteria and narrow service specifications, as areas of particular concern.

5.8 The timing of the Department of Human Services service planning cycle has caused concern because it is not aligned to the financial year.

5.9 The Department of Human Services advised that a consultative process will be established and will include representatives of the major peak bodies, to advise on medium-term and long-term planning issues.

5.1 Introduction

This chapter examines the service planning process of the Department of Human Services, the concerns of service providers and recent developments in the planning of human services in Victoria. Also discussed are issues relating to access to services, the identification of service gaps and emerging needs, thereby addressing the fourth and fifth terms of reference of the Inquiry, viz:

4. Assess the impact that DHS service agreements have had on:
(a) equity of access to services; and
(b) filling service gaps in the community, health and welfare sectors.
5. Review the arrangements that provide DHS service agreement coverage of community, health and welfare needs, especially emerging needs for services.

5.2 Service planning framework

The integrity of the human services system is dependent on many elements including the planning of services. Service planning is a complex process. According to the Social Policy and Research Centre at the University of New South Wales, planning for community services should not be simply a technical exercise based on the estimated needs of the population supposed to benefit from assistance. Rather, features of service provision – such as the structure of the services system and the effectiveness of interventions in achieving desirable outcomes – must be central to any system of planning. Planning should involve:

- a consideration of data on the need for services;
- evidence on the relative effectiveness of particular programs;
- estimates of the financial support available;
- negotiations between the various supervisory and management bodies responsible for actually implementing plans and providing services; and
- importantly, data from the ongoing evaluation and monitoring of existing services.

Service planning is therefore an ongoing process of compromise and negotiation, adjustment for local circumstances and a willingness to be self-critical and learn from experience.

Community, health and welfare providers have previously expressed concern about the potential impact of the purchaser/...
provider funding model on the planning of human services. The Australian Council of Social Service stated in 1997 that:

- the more ‘hands off’ approach implied by the purchaser-provider model could lead to a corporate loss of knowledge and expertise necessary to make good decisions about needs, service specification and provider selection; and
- a preoccupation with contracting and tendering may result in resources being diverted from other Government functions such as policy, planning, research and community consultation. These functions are critical to ensuring that the collective effort of Government and the community sector is directed to appropriate social goals and priorities.  

5.3 Service planning process

The Department of Human Services advised that issues of equitable access to services, service gaps and emerging needs are not confined to the process of specifying and negotiating service agreements, but affect the overall policy and planning framework of the portfolio. However, the Department’s two submissions to the Inquiry provided the Committee with few details on the process by which the Department comprehensively plans services.

As outlined in Chapter 2, the Head Office of the Department is responsible for policy development and the setting of service requirements and standards for the purchasing of services by Regional Offices. Head Office is also responsible for statewide service planning, as well as the development of the service system, service redevelopment and overall performance monitoring.

222 Department of Human Services, 1999, 1998-1999 Annual Report, Melbourne, p. 21
223 Letter, dated 23 February 2001, from Minister for Community Services, Hon. Christine Campbell, MP
Departmental regions are responsible for purchasing decisions and the management of service agreements, including the monitoring of services delivered.\textsuperscript{224}

The Department advised that one of its main approaches to ensuring equity of access to services is to use equity formulae.\textsuperscript{225} The approach to distributing resources from Head Office programs to departmental regions involves:\textsuperscript{226}

- defining the regional target population or sub-population, preferably using external information such as the Census, other Australian Bureau of Statistics collections or Centrelink data (to avoid any ‘perverse incentives’ arising from the historical distribution of services and use patterns);
- establishing weighting factors for prevalence and cost;
- comparing existing resource distribution with an ‘ideal’ distribution based on equity; and
- developing an agreed strategy to reduce the gap between existing and ideal resource distribution.

However, different Department divisions have adopted various approaches to funding allocation. These approaches do not always equate with demand for services; for example, resource allocation for aged, community and mental health services is based on historical funding levels or formulae. The different approaches are set out in Exhibit 5.1. Details on the Public Health Division program, other than drug treatment services, were not made available.

\textsuperscript{224} Ibid, p. 21
\textsuperscript{225} Department of Human Services, submission no. 156, p. 31
\textsuperscript{226} Ibid, p. 31
Exhibit 5.1: The basis of resource allocations across the Department of Human Services Divisions

<table>
<thead>
<tr>
<th>Division</th>
<th>Basis for resource allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Health</td>
<td>• Majority of resources is attached to outputs (for example, the number of inpatients and outpatients); and</td>
</tr>
<tr>
<td></td>
<td>• Funding for inpatients is determined annually based on: available budget allocation, previous year’s targets and actual throughputs, agreed network and regional planning considerations, the impact of population growth, a consideration of activity levels for particular medical specialties where appropriate, and the Department’s negotiations with hospitals/networks.</td>
</tr>
<tr>
<td>Aged, Community and Mental Health</td>
<td>• Resource allocation is based either on historical funding levels or formulae (generally weighted population formulae);</td>
</tr>
<tr>
<td></td>
<td>• Different processes are followed for each of the main program areas;</td>
</tr>
<tr>
<td></td>
<td>• Success of measures to introduce regional resource allocations for all programs on a weighted population basis has varied; and</td>
</tr>
<tr>
<td></td>
<td>• The division has commenced work on a resource allocation project to achieve more equitable and effective allocation of resources. The formula used to allocate growth for Home and Community Care (HACC) funds is also to be reviewed.</td>
</tr>
</tbody>
</table>

---

227 Letter, dated 3 October 2000, from Ms P Faulkner, Secretary, Department of Human Services, appendix 11
### Exhibit 5.1 (continued):

<table>
<thead>
<tr>
<th>Division</th>
<th>Basis for resource allocation</th>
</tr>
</thead>
</table>
| Community Care            | • Demand is driven by rate of notifications to statutory child protection services;  
                           | • Resources are allocated on the basis of an equity formula, replacing the historical allocation of resources;  
                           | • Formula is driven by a proxy indicator of demand – that is, the Commonwealth Additional Family Payment for families with very low incomes. The indicator was chosen because it was found to have a very high correlation with the number of notifications to child protection services;  
                           | • Rural weighting has been introduced; and  
                           | • Equity formula to be reviewed in 2000-2001.                                                                                                               |
| (a) Protection and Placement Services |                                                                                                                                                                                                                                 |
| (b) Juvenile Justice Services | • The number of juveniles and young adults charged with and/or convicted of an offence, drive demand;  
                           | • Resources are allocated for court advice, custodial and community based services, Koori services and specialist support services; and  
                           | • Equity allocation formula has determined regional allocations for community based services since 1998-1999. Formula incorporates five indicators: 12-month average client throughput numbers, the number of regional clients on custodial order, Commonwealth Additional Family Payments, the number of court reports prepared and the number of Children’s Court sitting days. |
### Exhibit 5.1 (continued):

<table>
<thead>
<tr>
<th>Division</th>
<th>Basis for resource allocation</th>
</tr>
</thead>
</table>
| (c) Family, Youth and Individual Support Services | - Resources are distributed on the basis of historical provider allocations often determined decades ago. Service availability, therefore, does not always match demand or client needs; and  
- Allocation of resources for newer services, such as services to address problem gambling and to strengthen families, has been determined both by client need and attempts to address historical inequities in service availability. |
| (d) Parenting Child and Community Development Services | - Resources for maternal and child health services are determined by location and the number of births;  
- Allocations for parenting services are determined on the basis of historical provider allocations; and  
- Resources for neighbourhood houses are determined on the basis of historical allocations, with additional funds allocated in 2000-2001 to address inequities in the service system. |
| (e) Children’s Services | - Determined by the location and number of eligible 4-year-olds in the case of preschool services and by the location and number of funded places or eligible services in the case of child care services. |
Exhibit 5.1 (continued):

<table>
<thead>
<tr>
<th>Division</th>
<th>Basis for resource allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disability Services</td>
<td>• An equity formula is used to distribute growth funds to departmental regions;</td>
</tr>
<tr>
<td></td>
<td>• Given the long duration of services to many program clients, the equity formula is not applied to funding previously received by regions;</td>
</tr>
<tr>
<td></td>
<td>• The formula is based on the estimated prevalence of people with severe or profound disabilities. It applies national age and sex prevalence rates to regional population numbers and weights for aboriginality, rural location and socio-economic disadvantage; and</td>
</tr>
<tr>
<td></td>
<td>• Growth funds for statewide services are not distributed using an equity formula.</td>
</tr>
<tr>
<td>Public Health (drug treatment services only)</td>
<td>• Since 1997-1998 the allocation of funds has been guided by a weighted population distribution formula. The formula uses Census data provided by the Australian Bureau of Statistics, taking account of projections determined by the Department of Infrastructure. Base population is weighted according to factors considered to affect service demand and delivery cost, including the number of Aboriginal or Torres Strait Islander residents, the number of residents speaking little or no English, rural population density and relative socio-economic disadvantage.</td>
</tr>
</tbody>
</table>
Exhibit 5.1 (continued):

<table>
<thead>
<tr>
<th>Division</th>
<th>Basis for resource allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Housing</td>
<td>• Historically, funding for the Supported Accommodation and Assistance Program (SAAP) was allocated through a submission-based process coordinated by Head Office. The process led to inequity in regional allocations of funding. A new SAAP equity formula has been developed but not yet implemented;</td>
</tr>
<tr>
<td></td>
<td>• The Victorian Homelessness Strategy will develop a needs based planning approach for the future allocation of SAAP funding;</td>
</tr>
<tr>
<td></td>
<td>• The needs based planning approach is used to determine priority areas for capital purchases.</td>
</tr>
</tbody>
</table>

The Department stated that a number of processes assist in the identification of service gaps and emerging needs, including State Government policy, research and evaluation, advocacy from the community and field and community concern.\(^{228}\) Further, the Department advised that the Government indicated its commitment to reintroduce cooperative planning processes at the local, regional and statewide level.\(^{229}\) Such processes are designed to identify existing services against current and emerging needs, and to identify priority areas for new funding.

### 5.4 Recent developments in service planning

The Department acknowledged (1) the lack of transparent policy and planning frameworks for service agreements; and (2) the limited involvement of funded providers in policy development, were concerns of service providers.\(^{230}\) Its second submission also advised that a Department-wide consultative mechanism would

\(^{228}\) Department of Human Services, submission no. 156, p. 32  
\(^{229}\) Ibid, p.32  
\(^{230}\) Department of Human Services, submission no. 161, p. 5
be established, including representatives of the major peak bodies and a selection of ‘grass roots’ service providers to advise on medium and long-term planning issues. The Department’s regions and programs will establish formal regional and program-based consultative mechanisms where these are lacking.232

The Department has been restructured to create a planning unit in each region.233 A role of the units is to establish a planning cycle and participative planning processes within their respective region. However, the Committee did not receive any details of these measures, such as how service providers and service clients will be engaged in planning human services, when the Department-wide consultative mechanism will become operational, and how service providers responded to such proposals.

Regarding regional equity formulae, the Department advised that reviews are underway for Community Care (Placement and Support); Aged, Community and Mental Health (Home and Community Care growth funding) and Disability Services (updating only the socio-economic factor). The Options Papers for the Review of the HACC Relative Resource Equity Formula (March 2001)235 and Socio-economic Disadvantage and Prevalence of Disability (September 2000)236 have been released.

Measures by which the Department will address the timeliness of the service agreement planning process are discussed in Chapter 9.

---

231 Ibid, pp. 18-19
232 Ibid, p. 19
233 Refer to www.dhs.vic.gov.au/regional/hume/planning.htm. The website states that: ‘The Department’s restructure has created a Planning Unit in each Region.’
234 Ibid
236 Social Policy Research Centre, University of New South Wales, 2000, Socio-economic Disadvantage and Prevalence of Disability, for Department of Human Services, Melbourne
5.5 Issues raised by service providers

Submissions and witnesses raised a number of issues relating to the planning of human services in Victoria. The issues fall into three categories:

- who is involved in the planning process;
- operational aspects of service planning; and
- the timeliness of the service planning process.

5.5.1 Participation in the service planning process

Service providers expressed concern at being excluded from the planning process of the Department, and the lack of appropriate mechanisms to assess local needs.

Plenty Valley Community Health Services advised that:

Lack of planning, consultation and poor data and data analysis all contribute to the continuation of the status quo rather than attempt to address local needs and service demands in a particular area. Statewide indicators are used across the board in evaluating requests for additional funds. Thus local needs are not accounted for.237

The Salvation Army commented that the Department has not adopted a comprehensive or co-operative planning process that includes service organisations, either at the central level or at the regional level. Further, the local needs analysis and planning process adopted by the Regional Offices are variable in the degree to which they include service organisations, but are generally limited.238

Providers also highlighted the lack of adequate avenues for participation by service users. The Salvation Army pointed out that there is no mechanism that allows people who use services to communicate their needs and contribute ideas to planning:

---

237 Plenty Valley Community Health Services, submission no. 104, p. 2
238 The Salvation Army, submission no. 113, p. 2
Chapter 5: Access to services, service gaps and emerging needs

... the process has been more about what people like us or the bureaucrats think they [service users] need.239

Likewise, the Victorian Council of Social Service observed that:

... services must be responsive to the needs of the community if they are to be effective. Hence, consumer participation is an essential element in the planning, design and evaluation of community health services. However, this issue is given little emphasis in the relationship between the Department of Human Services and funded agencies and negligible resources are allocated for this purpose.240

The Committee is aware that most municipalities play a significant role in the planning, funding and delivery of human services in Victoria. However, the Municipal Association of Victoria (MAV) advised that:

The State’s program design and funding allocation are currently based on service planning decisions largely made in departmental silos. The Department’s planning has often ignored programs and services funded/operated by other organisations in their scoping of services.241

The MAV submission also identified that the Department does not use the planning data that Local Government gathers and analyses.242 The MAV suggested that State and Local Governments should adopt a statewide protocol for planning between the Department’s regional offices and councils. The protocol should include the development of a joint planning database and the establishment of service benchmarks to improve equity of access and fill service gaps.243

Upper Murray Family Care emphasised the benefits of a more inclusive local planning process:

239 Ms M Hamley, Director, Social Planning Consultancy Unit, Salvation Army, transcript of evidence, 26 September 2000, p. 158
240 Victorian Council of Social Service, submission no. 133, p. 11
241 Municipal Association of Victoria, submission no. 149, p. 4
242 Ibid, p. 10
243 Ibid, p. 7
One of the weaknesses around competitive tendering was that there was no long-term planning. It was all sort of here and now – ‘What is the best we can get for the dollar now?’. But human services do not work like that. It is all about particular families, understanding what is in their local communities, being comfortable with and feeling able to use what is there, and having a sense of having a voice or some sort of control over how services are developed. They are the key features of good local planning.

There is an enormous amount of wisdom in the community services sector. I am always stunned that for whatever reasons it is never tapped. It makes no sense to me why that knowledge is not used, let alone the psychological reality that the more you engage people, the more allegiance and commitment they have to the process, whatever comes out. 

5.5.2 Operational aspects of service planning

Some service providers identified shortcomings with the operational aspects of service planning by the Department. The City of Darebin noted that the adoption of standard approaches to defining needs within program areas fails to account for local realities.

The Good Shepherd Youth and Family Service argued that a more comprehensive and holistic approach to planning is required, as service agreements rarely provide sufficient attention to service aspects beyond a limited perspective of direct service delivery.

---

244 Mr L Rumbold, Director, Upper Murray Family Care, transcript of evidence, 21 September 2000, pp. 102, 107
245 Good Shepherd Youth and Family Service, submission no. 128, p.5
The Victorian Council of Social Service (VCOSS) also noted that:

A systems approach to planning is essential if wider social outcomes are to be achieved and maintained. To date the Department has failed to understand, let alone respond to, these concerns. ... There are a number of alternative service-planning models currently in use which reflect innovation and collaboration in community services planning.  

VCOSS stressed that planning and evaluation processes must be improved in order to ensure they adequately identify unmet need and map clients' needs outside the current service system. VCOSS pointed out that, too often, social policy review is seen as no more than a review of current services.

Many submissions raised issues relating to service gaps, access to services and the capacity of the system to change to meet emerging needs. Women’s Health Victoria considered that equity of access has decreased with the introduction of the fees policy in service agreements. Other service providers highlighted that some people are simply defined as being ineligible to receive services. Merrimu Adult Training and Support Service pointed out that adults with an acquired brain injury who have a mild intellectual disability and are not covered by compensation, are unable to attract funding for day placement. Similarly, the Department deems children under 6 years of age to be ineligible for facility-based respite, despite no written and documented policy by the Department to this effect.

Wesley Central Mission advised that it is compelled to deny services to people who are outside the client group specified in their service agreement. This problem is compounded because such people do not fit the definition for any other service, so even a referral is not possible. The Committee was concerned to learn

246 Victorian Council of Social Service, submission no. 133, p. 10
247 Ibid, p. 10
248 Women’s Health Victoria, submission no. 51, p. 3
249 Merrimu Adult Training and Support Service, submission no. 45, p. 1
250 Southern Metropolitan Regional Disability Respite Reference Network, submission no. 50, p. 4
251 Wesley Central Mission, submission no. 117, pp. 3-4
that many homeless 15-16 year olds, for example, are excluded from State or State-Commonwealth funded youth services. Wesley Central Mission stated that for various reasons, young people in this age group who are in need of assistance are not considered to be sufficiently at risk to receive State funded youth services and yet are not old enough to receive Commonwealth-State funded services for homeless people.

The Department of Human Services emphasised that output based purchasing translates into greater autonomy for the funded sector by removing many restrictions on how services must be delivered. Increased freedom means that service providers are better positioned to innovate and experiment with alternative methods of service delivery. However, some service providers argued that service agreement arrangements are inflexible and do not allow for meeting emerging and changing needs. Gannawarra Shire Council’s experience illustrates this point:

What good is planning, however if the flexibility of delivery is not there? ... the new purchasing arrangements, developed and implemented by the Department of Human Services do not provide a flexible response to changing community needs. Service delivery targets are ‘negotiated’ with the department, and any deviation greater than 5 per cent must undergo a formal review and a decision making process. This does not promote flexibility within the service system, and does not allow for local governments to respond efficiently and effectively to community need.

Wesley Central Mission also expressed concern about the service system not reflecting the changing needs of clients:

I think planning has been left behind ... It is a kind of rolling program of just specifying and grabbing. I think the program that spoke most clearly about this was our homelessness program at Ringwood. The fact is that the client group has changed enormously

---

252 Ibid, p. 4
253 Ibid, p. 4
255 Gannawarra Shire Council, submission no. 69
over the years. The program has been there 12 years now, and the problem is that it is unable to change to meet that need. There is a far greater incidence of people who are heroin or other drug users using the program now. There is quite a change in the age of people coming to that program. The department has been unable to move the program around to suit that change in client drift because of the fixed way in which it has framed it.256

Several submissions and witnesses also raised issues relating to the absence of a link between the Department of Human Services’ service planning and service monitoring/evaluation processes. The Melbourne Citymission pointed out that little use is made of the information that is collected:

Agencies are required to collect and supply large amounts of data to the Department. [The Department] does not appear to use the information supplied for anything other than accountability purposes and potentially valuable planning information is ignored.257

The Victorian Healthcare Association advised the Committee that health service agreements before 1992 required service providers to provide: a summary of the nature of the community they served; the current and emerging health service needs and service gaps; and the strategies the service provider would undertake to address the emerging needs.258 It stated that when health service agreements had a service planning focus, health care organisations accorded importance to the document because they were part of their strategic planning process and because they became an important source of information for the Department in identifying emerging needs.259

However, the Victorian Healthcare Association highlighted that providers, because service agreements have become irrelevant, have been developing their own strategic plans and that provider-

256 Mr J Fendyk, Director, Aged Care and Disability Services, and Mr R Nicholls, Social Policy Officer, Wesley Central Mission, transcript of evidence, 11 October 2000, p. 256
257 Melbourne Citymission, submission no. 71, pp. 2-3
258 Victorian Healthcare Association, submission no. 106, p. 9
259 Ibid, p. 9
Department dialogue on emerging service needs is now absent.\textsuperscript{260} The Victorian Healthcare Association suggested that a statewide health plan be developed, to provide a context for the planning and strategic directions of service providers.\textsuperscript{261}

Service providers operating in the community services sector identified similar needs – a need for an audit of community services and a comprehensive strategic service planning approach. UnitingCare Victoria queried the Youth and Family Services' redevelopment process, in the absence of a sound understanding of the community services system:

Why would anyone engage on a massive redevelopment project without working out what was wrong with the system in the first place? ... Surely you would have worked out if the services were the most appropriate services, whether there were gaps in the service delivery system or whether we were dealing with anachronistic models of service delivery – and I think a lot of people would argue that with the residential care of young people we are using an anachronistic model at the moment. I think that argument is still valid. I still think we need to know far more about the service system. There was a time when departmental regions used to do needs-based analyses, but they have not done that for quite a long time.\textsuperscript{262}

Upper Murray Family Care stated the importance of a comprehensive rather than Department divisional approach to service planning.\textsuperscript{263} They expressed frustration at the discrepancy in funding between primary health and early intervention services, for example. They advised that the Primary Care Partnership process is the most well resourced planning process they have been involved with.\textsuperscript{264}

\textsuperscript{260} Ms M Smith, Executive Director; Ms C Elvins; and Mr G Knox, Victorian Healthcare Association, transcript of evidence, 28 September 2000, p. 194
\textsuperscript{261} Ibid, p. 194
\textsuperscript{262} Ms M Leveratt, Policy Officer, UnitingCare Victoria, transcript of evidence, 19 October 2000, p. 318
\textsuperscript{263} Mr L Rumbold, Director, and Mr R Woodhouse, Board Member, Upper Murray Family Care, transcript of evidence, 21 September 2000, p. 103
\textsuperscript{264} Ibid, p. 103
5.5.3 Timeliness of the service planning process

The timing of the Department’s service planning cycle has caused some concern among service providers because it is not aligned with the financial year business cycle. This issue is examined in Chapter 9.

5.6 Recommendations

The Department of Human Services advised in its second submission that a policy and cultural shift is required and that a cooperative approach will be adopted. The Committee considers that this new approach should extend to the service planning process.

Service providers also advised that there is currently a gap between the data collection and service planning processes.

Accordingly, the Committee recommends that:

Recommendation 5.1:

The Department of Human Services, in consultation with service providers and clients, introduce a comprehensive service planning process that:

(a) actively engages both service providers and clients;

(b) is holistic, rather than confined to individual divisions or programs; and

265 Department of Human Services, submission no. 161, p. 4
(c) recognises and uses the strategic information generated by service providers, such as Local Government, and information gathered through Department of Human Services service agreements.

Given the growing pressures on the human services sector in Victoria, it is clear that strategic planning of services, as well as the equitable distribution of resources is needed.

Accordingly, the Committee recommends that:

Recommendation 5.2:

The planning process outlined in Recommendation 5.1 culminate in the development and periodic review of the State human services strategy. The strategy should, as a minimum:

(a) review how need for human services is defined and calculated;
(b) identify current and emerging needs and subsequent gaps in the service system;
(c) evaluate the effectiveness and appropriateness of services; and
(d) provide a strategic context for the activities of service providers.

Recommendation 5.3:

As a matter of priority, the Department of Human Services move to ensure that funds in all program areas are distributed equitably according to demonstrated need and accessibility to all citizens.
Chapter 6: Number and type of service agreements

CHAPTER 6: NUMBER AND TYPE OF SERVICE AGREEMENTS

Key Findings:

6.1 Service agreements are used where the Department of Human Services provides funds to organisations to directly deliver services to individuals or groups in the community.

6.2 There is a large number of different types of agreements or contracts used by the Department of Human Services. The processes used to identify the type of agreement or contract to be used are not always clear to service providers.

6.3 The range of contract types created difficulties for service providers, particularly for those with multiple contracts.

The Department of Human Services advised that a variety of mechanisms are used to purchase goods and works or fund services. The type of agreement or contract used and the procedures to execute it depends on:

- the value and nature of the goods, works or services being purchased or funded;
- the nature of the organisation or service provider;
- the nature of the relationship between the Department and the organisation or provider;
- the length of the contract; and
- other legislative requirements associated with the type of service to be provided.\(^{266}\)

---

\(^{266}\) Department of Human Services, submission no. 156, p. 42
Service agreements are used where the Department provides funds to organisations to directly deliver services to individuals or groups in the community. Service agreements are developed for the following types of organisations:

- non-government organisations (includes universities and not-for-profit organisations);
- Local Government;
- children’s services (providers funded only to deliver children’s services);
- community health centres;
- consortia;
- hospitals/health care networks; and
- ambulance services.

The exhibit below outlines the other types of contracts the Department enters into with external parties.
### Exhibit 6.1: Types of Department of Human Services contracts and service agreements[^267]

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Nature of Funding</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peak body agreement</td>
<td>Support to peak body members</td>
<td></td>
</tr>
<tr>
<td>Commercial contract</td>
<td>Consultancy services for the Department of Human Services and specialist advice to the Department</td>
<td></td>
</tr>
<tr>
<td>Letter of agreement</td>
<td>Self Help Funding (ACMH, DisAbility)</td>
<td>From 2000-01 self-help funding will be based on a letter of agreement and paid on invoice.</td>
</tr>
<tr>
<td>Infrastructure funding deed</td>
<td>Infrastructure grants</td>
<td></td>
</tr>
<tr>
<td>Memorandum of understanding</td>
<td>Department of Human Services contracts with another State or Federal Government Department</td>
<td>This reflects the convention that parts of the Crown cannot contract with each other.</td>
</tr>
<tr>
<td>Deed of agreement/capital agreement</td>
<td>Capital items: buildings, extensions and refurbishments</td>
<td></td>
</tr>
<tr>
<td>University chair deed agreement</td>
<td>University Chair</td>
<td></td>
</tr>
</tbody>
</table>

**Service Agreements not on Service Agreement Management System**

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Nature of Funding</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi purpose service agreement</td>
<td>Multi purpose services</td>
<td>Being assessed for transition to SAMS</td>
</tr>
<tr>
<td>Housing agreements</td>
<td>Housing services</td>
<td>Being assessed for transition to SAMS</td>
</tr>
<tr>
<td>Health service agreements</td>
<td>Privatised hospitals</td>
<td>Being assessed for transition to SAMS</td>
</tr>
</tbody>
</table>

[^267]: Ibid, p. 42
The types of contracts used by the Department of Human Services, other than service agreements, are set out below:\textsuperscript{268}

- commercial contracts are used when an external organisation provides services to the Department, rather than to individuals or the community, as is the case with service agreements. For example, commercial contracts are used for consultancies, research for the Department and the provision of goods or equipment to the Department;

- Department of Human Services provides financial support (via letters of agreement) to self help groups. Self help program funding is comprised of small amounts of funding, mostly under $1,000. The funding is designed to assist self help groups cover general expenses and running costs such as postage and electricity;

- infrastructure grants are payments made by the Public Health Division to assist medical and public health research facilities with infrastructure costs, for example utilities and rent. The Public Health Division provides infrastructure support to approximately 22 facilities. The Commonwealth Government funds research programs and the arrangement with the State Government to pay infrastructure costs is an historic one. The Infrastructure Funding Deed is based on a modified version of the Department of Human Services standard commercial contract;

- memoranda of understanding are used when the Department contracts with another State or Commonwealth Government Department. This reflects the convention that parts of the Crown cannot contract with each other;

- deed of agreement or capital agreements are used to fund or purchase capital items such as buildings, extensions and refurbishments;

\textsuperscript{268} Ibid, pp. 42-43; and Department of Human Services 2000, \textit{Service agreement manual: business and systems processes}, pp. 5-6
• the Public Health Division uses a university chair deed agreement to fund university chairs;

• multi purpose service agreements allow service providers to develop flexible service models to respond to local community health needs. With such an agreement, Commonwealth and State funding is cashed out wholly or partly into a pool of funds. Each party to the agreement signs a three-year contract which outlines State and Commonwealth Government contributions and specifies reporting arrangements, indemnity provisions and other contractual obligations; and

• there are two types of arrangements for funding organisations providing community housing. Service agreements are used for supported accommodation and assistance program funding. Funding for tenancy management is generally provided via a headlease agreement between the Director of Housing and a provider that specifies the conditions under which the lease is set up and managed. Program guidelines that specify reporting and accountability measures underlie headlease agreements. Funding arrangements range from retention of a portion of rent collected from tenants to an agreed annual amount per property to pay for tenancy administration costs.

Details of the processes associated with the above contracts and peak body and health services agreements were not outlined in the Department’s submissions.

The Victorian Council of Social Service advised the Committee that the decision by the Department of Human Services to use a funding and service agreement or a commercial contract with non-government providers occurs in a policy vacuum:

A very loose decision-making principle was that services provided to the community would attract a FASA and services provided to DHS would attract a commercial contract. This very unsophisticated and undocumented policy approach was implemented haphazardly, contributing to further confusion, especially for agencies offering a diverse range of services.
VCOS and the Non-Government sector have had minimal involvement in negotiations on the wording of the commercial contract document. Indeed, a number of senior [Department of Human Services] management were unaware of this document's existence and its use within the sector.269

Other service providers have similarly advised that the number and type of Department of Human Services contracts and processes, used to allocate the different types of contracts to service providers, are unclear.270 VCOSS suggested that a log of all documents used in service agreements should be identified and a policy base jointly negotiated to determine the mix of documents needed to confirm delivery of services and goods as part of a well-structured, integrated approach to service purchasing.271

Accordingly, the Committee recommends that:

Recommendation 6.1:

The Department of Human Services make publicly available information on the types of contracts/service agreements and associated processes. The criteria governing the use of various contracts/service agreements should also be detailed. This information should be regularly reviewed and evaluated with input from providers.

269 Victorian Council of Social Service, submission no. 133, p. 6
270 For example, Upper Murray Family Care, submission no. 8, p. 3; Manningham City Council, submission no. 17, p 3; and Bethany Family Support, submission no. 78, p. 4
271 Victorian Council of Social Service, submission no. 133, p. 6
Key Findings:

7.1 Funding is a fundamental aspect of the relationship between the Department of Human Services, service providers and ultimately, clients. It is also a considerable source of tension among the parties.

7.2 Regarding most human services, unit costing by the Department does not accurately reflect the full cost of services delivered by service providers. Unit costing excludes consideration of:

(a) transport costs (of workers and clients);
(b) administration;
(c) infrastructure/capital works;
(d) the size of service provider organisations;
(e) informal and complex interactions between clients and providers; and
(f) the evolving needs of clients over time and behavioural differences.

7.3 The principles of the Management Reform Program (1997) which stated that prices set for products and services sold to third parties should be based on full cost recovery, were not implemented.

7.4 Output based funding has not always delivered the service improvements cited by the Department of Human Services.

7.5 Studies have been conducted into defining unit costs in the health sector, but the output based purchasing model has been introduced to other human services without the necessary foundation of sound information, research and consultation.
Key Findings (continued):

7.6 Output based purchasing has had a significant impact on clients and service providers, yet the Department of Human Services has not evaluated the advantages and disadvantages of this funding model as part of ongoing policy development and business improvement.

7.7 Following a review of the Department of Human Services in December 1999, the relationship between the Department and service providers was reorientated towards a partnership arrangement. A number of service providers submitted that little had yet changed. The Department of Human Services acknowledged that it may take some time for the new consultative and collaborative approach to human services envisaged by the Government to be implemented.

The framework for the State funding of human services delivered by service providers has a fundamental impact on the relationship between the Government and the non-government sector, how providers within the non-government sector relate to one another and, ultimately, the nature and quality of services delivered to clients.

The way in which the Department of Human Services funds providers for the services they deliver - for example, through unit costing or block funding, will be discussed in this chapter. The nature and use of unit costing contained in Department of Human Services service agreements and the level of accuracy in incorporating into that costing method the full range of functions provided, will also be examined (the seventh term of reference).
7.1 Funding of providers by Department of Human Services

7.1.1 Management Reform Program and the introduction of output based purchasing

The Department of Human Services advised the Committee that the Government’s Management Reform Program has significantly shaped the Department’s current approach to funding services.\(^{272}\) The program, incrementally introduced during the 1990s, has changed the way in which Government funded services are planned, delivered, monitored, reported on and evaluated, as follows:\(^{273}\)

- the funder, purchaser and provider roles are separate;
- Departments have greater independence in managing their business, using revised reporting and accountability mechanisms;
- funding is based on outputs to be delivered; and
- output delivery is linked to Government outcomes.

Under the output based management regime, the Government, as funder, decides which outputs it will fund, at specified levels of quantity, quality and price.\(^{274}\) Outputs are products or services that a Department or service provider produces or delivers for clients. Portfolio Ministers and departmental Secretaries, in their role as purchasers of outputs, advise the Government on which outputs will best achieve intended outcomes. Outcomes are the Government’s intended impacts on the community of funding services. Outcomes establish both the rationale and foundation for the budget. Internal or external service providers may supply the purchased outputs.

The output based funding model seeks to provide a more direct link between the funding provided and the services delivered,

\(^{272}\) Department of Human Services, submission no. 156, p. 23
\(^{273}\) Department of Treasury and Finance, 1997, Reform of the Budget Sector, Victoria: Elements of Financial Management, Management Reform Program
\(^{274}\) Ibid
with the emphasis on the outputs required from a service rather than on the processes used to provide that service.\textsuperscript{275} Payment for services delivered is based on the units of output - rather than on the overall cost of a program.\textsuperscript{276}

The Department applies various units of funding to different services. The Department of Human Services developed, for example, the weighted inlier equivalent separation (WIES) as the single unit of purchasing for acute inpatient services. Other units include the ‘client’, with different weightings applied to people with different needs. ‘Episode of care’ is the basic unit of service for drug treatment services. Other types of units used by the Department of Human Services include the number of contacts with clients, hours of service, available bed days and full time equivalent staffing. Further:

In some cases these [specification of units] have become established as a result of the ready availability of measuring systems, or because the service is too new to have an established measurement history on which to base an alternative measure, or because the cost of developing more sophisticated measures is too great relative to the perceived benefits.\textsuperscript{277}

The Department of Human Services advised that:

In [the Department’s] consultation with providers, the adoption of unit pricing as a general approach was considered to be a significant benefit of the purchasing reforms in recent times, since it provides equity and transparency to what was previously an historically based funding and allocation system.\textsuperscript{278}

Output based purchasing has not been introduced across all departmental services, although the introduction of casemix funding for acute inpatients in July 1993 was one of the first output

\textsuperscript{276} Otherwise referred to as the ‘unit cost’
\textsuperscript{277} Department of Human Services, submission no. 156, p. 51
\textsuperscript{278} Ibid, p. 46. However, the Committee notes that some Department unit costings are based on historical allocations (as for most Community Care Division services)
based initiatives in Victoria. Output based purchasing for Home and Community Care (HACC) services was first implemented in 1999-2000. The Department of Human Services has argued that output purchasing has benefits for the Department, the funded sector and client as:

- resources are focused on the services provided to clients rather than on inputs consumed in service provision;
- resources are used more effectively, being clearly focused on the production of outputs;
- greater autonomy can be provided to the funded sector via the removal of any restrictions on how services must be delivered. Increased freedom means that service providers are better positioned to innovate and experiment with alternative methods of service delivery;
- there is greater certainty for the Department and funded sector, because both parties clearly understand what is expected of them; and
- output purchasing will provide service providers with a greater financial incentive to deliver a broad range of services to meet identified need.279

In line with the Management Reform Program, the Department of Human Services was restructured to separate staff involved in purchasing external services from those involved in directly delivering internal services.280 Under the previous Government, the policy framework was to promote a clear distinction between the Government, as a purchaser, and non-government and private sector organisations as suppliers competing on an equal footing for the Government’s business.281

However, the Bracks Government rejected the previous Government’s policy prescriptions about the role of Government


280 This was as a result of the 1996 McKinsey Review. Department of Human Services, submission no. 156, p. 24

281 Ibid, p. 24
and the relationship between Government and the community sector. Following a review of the Department of Human Services in December 1999, the provider management function in regions was reoriented towards partnership and service planning. The Policy Development and Planning Division was created to reflect the view that funding should more closely align with planning and policy decisions. The Department of Human Services acknowledged that it may take some time before these new processes adopt the consultative and collaborative approach envisaged by the Government:

It is acknowledged that, whilst structural change is important, it is not sufficient to guarantee the complete and immediate implementation of the current Government’s approach. The profound structural and cultural changes introduced by the previous Government took several years to develop in detail and to implement. It is therefore to be expected that, equally it will take some time before [the Department’s] processes and culture fully match the consultative and collaborative approach envisaged by the current Government.

7.1.2 Department’s funding arrangements

To track, allocate and monitor its resources, the Department uses a Chart of Accounts, as illustrated in the exhibit below.
The Department’s Regional Offices purchase services from providers as activities, which are aggregated into components and then further grouped into outputs. Divisions within the Department’s Head Office purchase at the output level from Regions. The Government sets desired outcomes and agrees on which outputs to fund, and then purchases the required outputs from the Department. Groupings of individual outputs that contribute to a common outcome are called output groups for State budgetary purposes.

284 Department of Human Services, Aged, Community and Mental Health Policy and Funding Plan 2001-2002, p. 28
7.1.3 Issues raised by the Department

The basis on which the Department of Human Services has formulated its unit costs has generated considerable debate in Victoria. The following describes how the Department determines the price that it pays for services delivered by organisations:

(a) Service provider viability

The Department advised the Committee that a key policy principle underpinning its funding framework is that:

Long-term sustainable funding relationship with non-government agencies is essential to achieve both quality and efficiency and to contribute to community building.285

The Department also noted that it has statutory duty of care obligations to deliver services such as child protection placement and support services and a significant interest in the delivery of other human services (such as pre-schools and family counselling).286

(b) Relationship between cost and price in the Department’s unit pricing framework

According to the Management Reform Program Output Costing Guide, calculation of the full cost of output means just that – calculation of the costs of all resources consumed in the production of the outputs, together with the cost of resources used by activities supporting the delivery of the outputs.287 Further, prices set for products and services sold to third parties should be based on full cost recovery.288 The Department has similarly stated that:

---

285 Department of Human Services, submission no. 161, p. 9
286 Department of Human Services, submission no. 156, p. 44
287 Department of Treasury and Finance 1997, Management Reform Program Output Costing Guide Victoria, p. 9
288 Ibid, p. 11

162
It is in the interests of overall economic efficiency that, as far as possible, prices for services should be related to the cost of delivering them.\textsuperscript{289}

However, it advised that the identification of the service cost does not always mean that the Department’s prices will reflect the full cost, because some service providers have other sources of revenue (that is, fund raising and donations).\textsuperscript{290} The Department advised that it has a responsibility to fund service providers at a reasonable level for the services it expects from providers.\textsuperscript{291} Yet, there is no Department-specific definition of what constitutes a reasonable level of funding:

The prices set for each funded element reflect a variety of factors including the funds made available by Government, costing studies and analyses, discussions with representatives of the sector being funded, level of client fees and contributions from agencies’ own funding sources.\textsuperscript{292}

It is unclear to the Committee how the Department factors other revenue sources into its pricing framework. The Department did not provide the Committee with any evidence to suggest that increased Government funding translates into decreased revenue raising effort by service providers.

In the case of hospital funding, the Department has made a significant investment in cost measuring systems. However:

\ldots for other program areas the investment required in carrying out detailed cost surveys of this kind cannot generally be justified, so other approaches are taken.\textsuperscript{293}

The price of most community care services, for example, is calculated by converting historical funding arrangements to unit

\textsuperscript{289} Department of Human Services, submission no. 156, p. 51
\textsuperscript{290} Ibid, p. 52
\textsuperscript{291} Ibid, p. 45
\textsuperscript{292} Letter, dated 3 October 2000, from Ms P Faulkner, Secretary, Department of Human Services, attachment, p. 14
\textsuperscript{293} Department of Human Services, submission no. 156, p. 52
costs by referring to activity levels at that time. Further, the price of HACC services is determined through cost surveys.

(c) Output based purchasing framework

According to the Department of Human Services:

The theory of managing by outputs is that it enables ‘arms length’ monitoring of the actual services provided by agencies and so keeps Government away from micro-management of agencies’ day-to-day decisions about how best to provide those services ... However, it is now acknowledged not everything important to Government, agencies and the Victorian community can be appropriately conceptualised and managed along output lines, as they have been understood to date.\(^{294}\)

The Department advised in its second submission to the Inquiry that:

In addition to problems with internal consistency and appropriate flexibility for agencies to respond to varying needs, the Department’s Budget Output Structure is mostly unrelated to the activities/performance measures used in service agreements.

Further, the Department noted that the level of detail at which funding and purchasing decisions are made is too low, with outputs (‘activities’) and performance measures being overspecified. The basis for the Department’s funding system, encapsulated in service agreements, is 270 ‘activities’. Each activity can have up to six performance measures (and some regionally determined additional measures).\(^{295}\) Each activity has a service plan template which incorporates details of unit pricing, service standards and guidelines, performance measures and so on. Under the current Service Agreement Management System rules, each provider can have only one service agreement, so the detail of each activity must be settled before the agreement is finalised – a process which creates delays.

\(^{294}\) Ibid, p. 23

\(^{295}\) Department of Human Services, submission no. 161, p. 26
7.2 Planned changes

The Department outlined several planned changes to its funding framework in its second submission. However, the Committee could not determine from the submission:

- the status of the changes;
- the timeframes for the changes;
- details of the changes;
- whether resources had been committed to the changes;
- what impact the changes would have on the funding framework; and
- whether service providers had been consulted about the changes.

The Department is proposing to reduce the number of specified outputs and performance measures; to introduce a new Budget output structure; and review progressively the funding levels of individual programs.

7.3 Issues raised by service providers

The submissions received by the Committee indicate several shortcomings with the current output based purchasing model. The Victorian Council of Social Service advised the Committee that:

Over the past four years [the Department] has progressively moved to an ‘output based’ service funding approach, although ‘block grant’ funding is still provided for some services. However, [the Department] has not been evaluating the use of output based funding and its advantages and disadvantages as part of ongoing policy development and business improvement.296

---

296 Victorian Council of Social Service, submission no. 133, p. 18
Melbourne Citymission stated that:

\[\text{If service agreements are to be enforceable, the costing has to be realistic. You pay for what you get, and you cannot expect more if you do not pay for it. That is the commercial principle that we would apply in every other sector, but somehow when it comes to the human services sector we think we can buy it on the cheap. What we do is play on the emotions of agencies knowing that they will top up funds. That is not a just way of entering into funding and service agreements.}\]

The problems identified were as follows.

### 7.3.1 Unit costing funding

The unit price determined by the Department of Human Services does not reflect the cost of providing services and is not subject to regular review. For example, the unit price does not adequately cover the costs of transporting clients, the administration of programs, infrastructure or capital works.

The Children’s Welfare Association of Victoria argued that:

\[\text{... with the exception of recent program initiatives, the [Association] believes that [the Department’s] Community Care Division cannot provide any justification for any of its current funding levels. There is no transparent construction of these prices. Further research conducted by [the Association] in 2000 confirmed this assertion and indicates that the funding shortfall is in the range of 25-53 per cent across the various service types.}\]

---

297 Reverend R Cleary, Melbourne Citymission, transcript of evidence, 11 October 2000, p. 249
298 Children’s Welfare Association of Victoria, submission no. 145, p. 9
Similarly, Berry Street stated that:

In 1991-92 ... the Government accepted the concept of ‘full cost funding’ for services provided by community service organisations on behalf of Government. However, almost immediately the concept of full cost funding was eroded with [community service organisations] being required to find ‘productivity savings’, and failure to pass on full consumer price index increases. In addition, the work undertaken by [community service organisations] is now very different from that in 1992, when [the Department] was still a significant provider of services. The assumptions about what was included in the unit price or block and what is being purchased, need a major rethink ... With the possible exception of a couple of new program areas, we would be very surprised if [the Department] could provide any justification for any of its current funding models.299

This issue is not restricted to the unit cost funding of Community Care Division services. The Shire of Campaspe informed the Committee that:

One of our major concerns with costing is that the Meals on Wheels grant cost is still $1.10. To the best of my knowledge that has been for the past 10 years and the costs of preparing and delivering meals have escalated in that time. We currently have a contract with Kyabram hospital for the preparation of meals in Kyabram and are paying $4.65 for a meal, which means that with our charges to the community council still has to contribute because we cannot charge our community $4.65. Because of the nature of the shire we have a range of providers across the shire – for example, the hotel in Lockington charges $6.80 because the economies of scale are there, but we still only get $1.10 and we have our set charge of $3.25 for meals so there is still a gap to be made up. The $1.10, having been that price for 10 years, needs a review.300

---

299 Berry Street, submission no. 29, p. 2
300 Ms J Andrews, General Manager, Community and Culture, Shire of Campaspe, transcript of evidence, 20 September 2000, p. 84
Likewise, the Victorian Healthcare Association which represents all public hospitals and community health centres in Victoria advised that:

... there is a major concern the prices [that the Department] has established for casemix, and aged, community and mental health services do not adequately cover the costs of delivering the services. Agencies have utilised reserves to meet the shortfalls in funding levels, but obviously can not continue to fund the shortfalls in this manner.  

7.3.2 Funding arrangements restrict the delivery of services

Output based funding has the perverse effect of encouraging direct rather than preventative and less readily quantified service provision. This issue was highlighted by the Western Region Alcohol and Drug Centre (WRAD) in their submission:

The episodes of care (EOC) model also fails to acknowledge less formal, one-off counsellor/client contact such as a phone call from a potential client who is not yet quite ready to seek help but is toying with the idea or a face-to-face initial contact visit from, for example, a parent of a client. An agency’s funding cannot, and should not be based on EOC outcome alone. Will this sole measure for funding of an agency’s accomplishments ultimately force agencies to take-in/work with only people who can quite obviously from the outset provide an acceptable EOC?

[The Centre] opens its doors to not only people who may be at a point in their recovery that will successfully achieve an EOC, but for those who at this point in time may not be able to achieve an EOC - such as a person who is about to start the courageous journey to commence treatment.

Output based funding also does not accommodate certain clients (for example, those with high/complex needs), the evolving needs of clients over time or the unique features of a community, and it

---

301 Victorian Healthcare Association, submission no. 106, p. 9
302 Western Region Alcohol and Drug Centre, submission no. 55, p. 2
excludes some clients altogether. Zena Collective advised that children are omitted from domestic violence service targets, yet:

... we consider children to be service users in their own right with their own individual needs. As research shows, the impact of domestic violence on children is significant. We believe that if unit costing continues to be applied then children must be counted in overall targets; treated as individual service users; have data collected on the support provided to them; and funding levels raised accordingly.  

Melbourne Citymission found that some of the unit costing rates are excellent; for example, in the day program area, levels of funding reflect the assessed needs of the clients and are negotiated with the Department for each client. However, Melbourne Citymission identified the uniform funding of disability residential services as a problem:

... in disability residential services there is only one unit cost that is expected to meet the needs of all clients regardless of level of disability or behavioural difficulty – this clearly does not work. In our view service agreements do not reflect, for the most part, appropriate unit costing that responds flexibly to the changing needs of clients. Unit costing has not recognised the increased complexity arising from the decommissioning of residential services or the costs of maintaining people in the longer term.

7.4 Discussion and recommendations

After reviewing the Department’s unit costing the Committee has made the following findings:

- regarding most human services, the Department’s unit costing does not accurately reflect the full range of services delivered by service providers. In addition, output based funding has not always delivered the service improvement cited by the Department. Output based purchasing of HACC services, for example, was

---

303 Zena Collective, submission no. 72, p. 3
304 Melbourne Citymission, submission no. 71, p. 3
designed to encourage innovation and experimentation in service delivery and to increase certainty to service providers and the Department;

- the Department’s unit costing models have not been implemented as outlined in the Victorian Management Reform Program Output Costing Guide (1997), which states that prices set for products and services sold to third parties should be based on full cost recovery. Similarly, the Industry Commission report (1995) on charitable organisations in Victoria recommended that where Governments set the price at which they purchase a service, they should take into account all cost components required to deliver the service, including:
  - human resources;
  - organisational support;
  - meeting wider objectives of Governments, such as consultation, access and equity objectives; and
  - program development and evaluation.

- according to the Industry Commission, this forces Government to be explicit about what is being funded and what is not being funded, the level of efficiency required of providers and the wider social responsibilities of providers;

- the Department has conducted studies into defining unit costs in the health sector but has introduced the output based purchasing model to other human services without the necessary foundation of sound information and research; or discussing with the service provider how their unit cost has been determined. Berry Street advised the Committee, for example, that some of the current unit costings for community services are based on limited

---

305 Department of Treasury and Finance 1997, Management Reform Program Output Costing Guide Victoria, p. 11
307 Ibid, p. 373
research that was conducted by the Children’s Welfare Association of Victoria in 1991.\textsuperscript{308}

Hanover Welfare Services advised that:

A couple of years ago when transitional housing services were being established the Government held some consultations with service providers about the specifications for the contracts for transitional housing providers. In those discussions with senior public servants it was suggested that an ideal length of stay ought to be three months. That was totally out of kilter with our understanding of the length of stay we should aim for. In our experience the best outcomes had been achieved when they stayed about nine months, although it varied according to client characteristics. For certain client profiles we had a good understanding of what length of stay produced the best outcomes. The public servant said to me that the data had been looked at and the average length of stay was three months. They did not understand that the average was skewed by those people for whom poor outcomes were achieved - people who had stayed only a few days. They were setting up the specifications for the funding of service agreements on data that better reflected the failures rather than the successes.\textsuperscript{309}

Similarly, Professor Carter stated that:

My view about the output-based purchasing model is that it was introduced without proper data, that basically the output measures were arbitrarily selected by a group of public servants, so far as I can tell. A great deal of research has gone into the output base measures in health, yet the arbitrary nature of data selection in community services is laughable. In my view they have no validity at all ... [However,] many of the health measures have had huge amounts of international research and people understand they are provisional. People will work with them knowing they are not perfect. They know that ... research groups are working on them to improve them. The output measures that have been chosen in this service area [community services] are most unfortunate and have been most

\textsuperscript{308} Ms S de Wolf, Chief Executive Officer, Berry Street, transcript of evidence, 11 October 2000, p. 219

\textsuperscript{309} Mr A Nicholson, Chief Executive Officer, Hanover Welfare Services, transcript of evidence, 6 December 2000, p. 432
unhelpful because they do not have any relation to time. They relate to the contract. They do not relate to real life, and the way child development works or the way families operate. They have been counterproductive. Again, we have to ... start doing some decent research in this area.\textsuperscript{310}

The Committee understands that a Community Care Services – Viability Methodology Study, under the auspices of the Department’s Community Care Division was commenced in October 2000 and due to report in mid-November 2000.\textsuperscript{311} The study was designed to provide high-level advice about the sustainability of non-government sector services and identify subsequent options for the Government. The study was to reach its objectives by examining the finances, workforce and client characteristics of organisations that provide residential placement and support services for which the Department provides funding. A further outcome of the study was to be an improved framework for assessing service viability, for application to a wider number of human services.

The Committee commends the Department for undertaking this study. However, evidence received by the Committee demonstrates that concerns about the Department’s unit costing extend beyond statutory placement and support services. Output based purchasing has had a significant impact on clients and service providers, yet the advantages and disadvantages of this funding model have not been evaluated by the Department as part of ongoing policy development and business improvement.

\textsuperscript{310} Professor J Carter, Deakin University, transcript of evidence, 20 November 2000, p. 427
\textsuperscript{311} Letter, dated 3 October 2000, from Ms P Faulkner, Secretary, Department of Human Services, Appendix 15
Accordingly, the Committee recommends that:

**Recommendation 7.1:**

The report of the Community Care Services – Viability Methodology Study be included on the Department of Human Services’ website.

While funding is only one aspect of the relationship between Government and the community sector, it is an important part. It is important for the sector that the Government is clear about what its objectives are in funding the community, health and welfare sector. The framework underpinning Government decisions on funding should be explicit, accessible and debatable.  

Accordingly, the Committee recommends that:

**Recommendation 7.2:**

The Department of Human Services details to service providers:

(a) what its overall objectives are in funding the community, health and welfare sectors;

(b) its reasons for not contributing towards or funding specific activities including:

(i) service delivery;

(ii) infrastructure maintenance and development;

(iii) policy development;

(iv) community development; and

(c) why various funding models or approaches are used for different areas of activity.

---

In England, the compact between the Government and community organisations, is underpinned by a series of codes, including the Funding Code of Good Practice.

The Children’s Welfare Association of Victoria advised the Committee that the following principles should underpin the allocation of funding for all child, youth and family services funded by the Department of Human Services:313

- the achievement of specified and agreed outcomes for clients should be the primary focus of the funding relationship;
- full funding of the agreed, standard costs should be provided to community service organisations;
- the funding levels set must be simple to understand, transparent and supported by valid and reliable data;
- the same price should be paid across regions for the same service. However, appropriate allowance should be made for any higher costs incurred by rural based services that are linked to other factors of their geographic location;
- funding should allow for and encourage flexibility and innovation in service delivery;
- specific/ additional allocations for particular clients and/ or client groups should be continued where appropriate; and
- funding should be guided by business rules, which would detail the administrative process for funding and ensure the flow of funding from the Department of Human Services to community service organisations is timely, transparent and accountable.

313 Children’s Welfare Association of Victoria, submission no. 145, pp. 9-10
Accordingly, the Committee recommends that:

**Recommendation 7.3:**

The Department of Human Services, in consultation with the non-government sector, develop a set of principles to underpin the Department’s funding of human services.

**Recommendation 7.4:**

In a statement of partnership, the Government acknowledge the financial contribution made by community, health and welfare organisations to human services in Victoria.

**Recommendation 7.5:**

The Department of Treasury and Finance, in the context of the output evaluation and price reviews of Departments, review the suitability of the output based purchasing model for funding community, health and welfare services. The review should consider, but not necessarily be limited to, the following issues:

(a) the components of human services that unit costing should include or exclude;

(b) how unit costing can be structured to:

(i) accommodate clients with varying complexities of need and evolving needs over time;

(ii) facilitate the delivery of services in rural and regional Victoria;
(iii) accommodate preventative as well as 'direct' service provision;

(iv) preserve the plurality of non-government service providers; and

(v) promote flexible and progressive service development and delivery.

Recommendation 7.6:

The financial information contained in the service agreements relating to unit costs be enhanced by including details of the formulae that the Department of Human Services uses to calculate:

(a) unit costs; and

(b) the components of service delivery.

Recommendation 7.7:

The Department of Human Services, in consultation with service providers, develop a regular unit price review procedure and mechanism.
CHAPTER 8: PRICING AND FUNDING OF MANDATORY STATUTORY SERVICES

Key Findings:

8.1 The Department of Human Services undertook a Community Care Services Viability Methodology Study of residential placement and support services for children and young people in care.

8.2 Additional funding for protective services was allocated in the 2000-2001 and 2001-2002 State Budgets.

8.3 Community service organisations expressed concerns about:
(a) significant funding shortfalls for protective services delivered to children and young people on behalf of the Department of Human Services; and
(b) the effectiveness and adequacy of current service models.

The Committee’s eighth term of reference required it to review the nature of pricing and funding of mandatory statutory services provided by non-government providers. The Department of Human Services has interpreted this to mean services provided by voluntary sector organisations to clients subject to Children’s Court orders under Parts 3 and 4 of the Children and Young Persons Act 1989.314 These Parts refer to child protection and juvenile justice respectively. However, given that statutory services to juvenile justice clients are almost exclusively provided by the Department of Human Services, this chapter examines placement

314 Department of Human Services, submission no. 156, p. 54
and support services for children and young people who come before the Children’s Court and are placed on care and protection orders.

8.1 Funding for residential care services and support

... where we have intervened as a community and child protection has been involved with the court and the guardianship is transferred, the State becomes the parent of that child and that is a very significant intrusion in the private sphere of life, that we do not normally allow government or public or private institutions into. So it seems to me that there is an underlying duty of care that having bridged that divide between the private and public sphere, that we guarantee the best outcomes possible, otherwise we should not get involved in the first place.315

The Committee received evidence regarding the commissioning of a financial viability study of child protection services.

The Department advised the Committee in August 2000 that a funding project had commenced and was addressing critical issues in the area of resourcing. The initial phase of the project was focused on residential care services with subsequent phases examining home based care and support services provided to children in care:

We want a methodology to address ... all those [cost] complexities, multiple programs and funding sources. However, we are doing it by studying the sector that we are being told is having the most trouble at the moment, which is the placement and support agencies. We reiterate that we have put more money into them this year, but we would like to know whether it is sufficient to solve the problem ...316

315 Mr P Linnossier, Chief Executive Officer, MacKillop Family Services, transcript of evidence, 8 November 2000, pp. 380-381
316 Mr S Solomon, Director, Policy Development and Planning Division, Department of Human Services, transcript of evidence, 24 August 2000, p. 9
The study was designed to provide high-level advice about the sustainability of non-government sector provider services and identify subsequent options for Government.

The new funding framework for residential care services was to be developed by January 2001 for implementation by July 2001.\textsuperscript{317}

The preliminary report to the Government on 22 February 2001 found that:\textsuperscript{318}

- up to half the welfare organisations that care for Victoria’s state wards are prepared to hand back the responsibility for abused children to the State Government;
- between one-third and half of the 22 key welfare organisations running Victoria’s foster and residential care services are struggling to stay financially viable; and
- at least four organisations are in danger of closing immediately and another seven may be forced to withdraw their services from the child protection system.

In response, the then Minister for Community Services stated that:\textsuperscript{319}

- the Government had increased funding to residential services by $9.8 million since coming to office;
- it was expected that all providers would meet their contractual obligations and she would give the financial audit full consideration once it was received; and
- the needs of all service providers would be weighed up by the Government during its Budget considerations, not just those groups who issue threats.

The scope of the viability study, when it is expected to be completed, key findings and action, and the public availability of the report is not known.

\textsuperscript{317} Department of Human Services, submission no. 156, pp. 54-55
\textsuperscript{318} Davies, J. Agencies threaten to return state wards, \textit{The Age} newspaper, 23 February 2001, p. 1
\textsuperscript{319} Ibid, p. 6
The Department also advised the Committee that in recent times concerns had been raised by a number of service providers delivering placement and support services that such services are significantly under-funded:

The Government has responded to these concerns by increasing prices paid for residential care services for statutory child protection clients by 46.9 per cent for general residential care services and 24.6 per cent for complex residential care since December 1999.\textsuperscript{320}

The Committee understands that two providers have already handed the responsibility of operating residential units back to the Government.\textsuperscript{321}

The Carter Review found that the viability of the sector remained uncertain despite the injection of additional funding.\textsuperscript{322} Professor Carter made the following recommendations regarding the funding of residential care services:

- the Department of Human Services finance the full cost of delivering residential services, as per the agreement made with the Government in 1991;
- a formula be devised to assist providers in deficit as a result of providing residential services;
- financing residential services be a priority in the forthcoming State Budget;
- a broad based viability study be independently undertaken to:
  - assess the actual and future age-based costs of residential care;
  - estimate the actual and future additional costs of meeting special needs, external costs i.e. rural locality; and

\textsuperscript{320} Department of Human Services, submission no. 156, p. 54
\textsuperscript{321} Davies, J. Children in care at risk of abuse, drugs, The Age newspaper, 13 November 2000, p. 2
\textsuperscript{322} Carter, J. September 2000, Report of the Community Care Review, p. 142
Chapter 8: Pricing and funding of mandatory statutory services

- assess residential care within a broad service context of ‘out of home’ care and family support.\textsuperscript{323}

8.2 Issues raised by service providers

The Children’s Welfare Association of Victoria (CWAV) advised the Committee that it undertook some research into child protection in 1996 for the then Minister:

That information paints a picture of a grave lack of resources and insufficient services ... we are in much the same situation today as we were when we undertook that study in 1996.\textsuperscript{324}

As a result of CWAV’s concern about the financial viability of youth and family community services sector, the organisation commissioned a study of eleven organisations.\textsuperscript{325} The study for the year 1999-2000 found that:\textsuperscript{326}

- Department of Human Services funding is only covering around 85 per cent of total operating expenditure of youth and family services; small amounts are collected in fees with the balance being the operating deficit;
- in 1998-1999, residential services recorded a deficit of $3.6 million equating to around 17 per cent of the operating expenditure;
- with respect to residential services, WorkCover costs are anticipated to increase by around 47 per cent over the prior year; and
- the financial viability of five of the eleven organisations was at real risk in the short to medium term, with two of the organisations unable to sustain current operating deficits.

\textsuperscript{323} Ibid, p. 142
\textsuperscript{324} Ms C Clare, Chief Executive Officer, Children’s Welfare Association of Victoria, transcript of evidence, Inquiry into Auditor-General’s Report No. 43, 11 October 2000, p. 2
\textsuperscript{325} Children’s Welfare Association of Victoria 2000, \textit{Youth and Family Services Community Services Organisations Industry Viability Project}
\textsuperscript{326} Ibid
The CWAV advised the Carter Review that the youth and family community services sector is chronically underfunded, in substantial deficit and on a medium-term basis, not viable.\(^{327}\) According to the CWAV, the 2000-2001 State Budget alleviated this situation with an injection of $14.8 million.

The CWAV called for additional funding in January 2001:

> We need about $17 million just to maintain our funding base... if the Bracks Government wants to fulfil its commitment and duty of care to these children in state care then it must put up this really quite modest amount of money in the next budget. It is becoming increasingly difficult for community service agencies to guarantee that they can provide sufficient staff and support to ensure that young people are always safe at night and when they’re not in school.\(^{328}\)

Similarly Anglicare Victoria provided the Committee with examples of funding shortfalls:

> At the time of outsourcing of residential care for children, [the Department of Human Services] offered the community service sector only a fraction of the resources which had been applied within the Department for the same services. For example the unit price for an adolescent cared for in a departmental residential unit six years ago was approximately $100,000. The unit price for the same young person during the last 12 months has ranged from $42,000 to $83,000. The CWAV Costings Benchmark Project confirmed that the average current unit cost is $100,000.

> Prices for Foster Care and Permanent Care (services) are similarly inadequate. In order to provide these services to the targets specified in nine Service Plans, Anglicare needed to add $800,000. The gap between Government price and real cost of our Youth and Residential Services last year was $1.7 million.\(^{329}\)


\(^{328}\) Davies, J *Extra $17m needed for state wards*, *The Age* newspaper, 24 January 2001, p. 5

\(^{329}\) Anglicare Victoria, submission no. 135, p. 3
A number of service providers identified factors which have contributed to the gap between Department of Human Services’ unit prices and unit costs for statutory services and compounded the difficulties experienced by providers in delivering such services:

- providers are not always funded for over-performing. MacKillop Family Services (Barwon) advised the Committee that, according to its service agreement, if it over-performs by more than 10 per cent, it should receive an additional payment. However, MacKillop has over-performed by close to 30 per cent over its foster care targets. Yet, there is no guarantee that at the end of the financial year MacKillop will receive payment for the delivery of those additional services. Further, the demand is being driven by the Department to place children through its child protection service:

  We tend to carry it [the costs] in the hope that in negotiation with the Department we are going to be able to gain additional funding. But I would have to say my negotiations to date this financial year have not been very good because the Department is very, very tight [with its funding] in placements and support.

- increasing responsibility of service providers for providing statutory services without the corresponding funding. Anglicare Victoria stated that:

  ... the most striking example of [increased responsibility without increased funding], ... is that over the past five years there has been a gradual shift of case management responsibility in statutory services from the department to our organisation and to all other organisations.

---

330 Ms A Condon, Regional Director, MacKillop Family Services (Barwon) and Mr S Murphy, Executive Officer, Barwon Association of Youth Support and Accommodation, transcript of evidence, 8 December 2000, pp. 509, 513 and 514

331 Ibid, p. 509
Rather than providing just accommodation, we have become the lead protective worker, if that is the term, for many of our clients. There has been no shift of funding at all for that extra responsibility, yet there has been a great deal of pressure to take on that role because the splitting of responsibility for a young person or child in care is very disruptive in our view. It is not good to have the main case worker in the Department of Human Services and the accommodation provided by us ...

The shifting of case management planning responsibility has meant that the department has saved a great deal of money by being able to reduce its case worker numbers, and we have had to produce more work for the same money, the money already being inadequate.\textsuperscript{332}

- shifting of costs from the Department of Human Services to providers. Berry Street advised that with the outsourcing of services for more challenging clients - many statutory clients - the growing costs of maintenance, insurance and WorkCover have been transferred from the Department of Human Services to providers. Current funding does not take these issues into account:

Our WorkCover premium has gone from $370,000 to $630,000 this year without GST. Ninety-seven per cent of that is in residential care. In the past all those costs would have been borne by the department, but we picked it up because of outsourcing. Insurance costs are another major issue. We are getting to the stage now ... where it is difficult to get any insurance company to insure us for cars or buildings. The strategy of the department is to provide the buildings for residential care in the future. [The Department] may solve that problem because [they] will have to take up the insurance. However, there are strong arguments to look at the Department negotiating insurance cover for fleet vehicles, which we can

\textsuperscript{332} Ms A Were, Operations Manager; Anglicare Victoria, transcript of evidence, 19 October 2000, p. 267
then pay some part of. Four of our cars were written off by clients last year after they had pinched keys at various times.333

Melbourne Citymission has also expressed concern about the Department not fulfilling its duty of care to statutory clients:

Our experience is that funding and service models associated with statutory service provision are inadequate. We are concerned at the worrying trend away from the Department fulfilling their Duty of Care and providing appropriate back up support to agencies with respect to these clients. Current models, particularly in Youth Services, do not facilitate achievement of sustainable quality outcomes for this volatile, vulnerable and marginalised client group ...334

We recently closed an early adolescent unit in Middle Park. High-need residential units for young kids have been a contentious issue for a long time. We have been negotiating with the region for two years about this particular unit, indicating to both the Department and the Government, both sides, that we would not be able to sustain this program beyond a certain time. For us to sustain our part of the bargain, it required the Department to sustain its part of the bargain. Its part of the bargain with early adolescent units was to ensure there were backup, specialist, high-risk facilities available when there was a crisis or breakdown in a unit. Invariably, every time there was a breakdown the Department could never do its bit of the job.335

Melbourne Citymission recommended that the Department instigate an urgent review, in conjunction with service providers, of funding models and duty of care issues associated with statutory services.

333 Ms S de Wolf, Chief Executive Officer; Berry Street, transcript of evidence, 11 October 2000, p. 226
334 Melbourne Citymission, submission no. 71, p. 3
335 Reverend R Cleary, Chief Executive Officer; Melbourne Citymission, transcript of evidence, 11 October 2000, p. 245
8.3 Subsequent developments

The Committee is aware that additional funding has been allocated by the Government in the 2001-2002 State Budget for child protection and care services. The Department of Human Services stated in its Budget information kit that:

Over a number of years, there has been a steady increase in the number of these notifications, and new protection orders made by the Victorian Children’s Court. Of significance has been the increase in the complexity and severity of adolescent client behaviours linked particularly to increased substance abuse that have placed particular pressures on residential care services. These residential services, which are provided by the non-government sector, have experienced major client and funding pressures in recent years.\(^{336}\)

The following funding has been allocated in 2001-2002:

- an additional $7.5 million to improve service provision to young people in residential care;
- an additional $200,000 to cater for service demands in kinship and permanent care by providing 25 places;
- an additional $1 million to child protection services in rural regions for expansion of after hours services; and
- an additional $600,000 for family support services (combined with $1 million allocated as part of Departmental re-prioritisation mechanisms).

An additional $12 million of capital funds has also been allocated over three years to upgrade placement and support residential care facilities.\(^{337}\)

---


\(^{337}\) Minister for Community Services, media release, 15 May 2001, Better support for children and families at risk
8.4 Discussion and recommendation

The Committee acknowledges that the Department of Human Services has undertaken a viability study of residential services and the Government has allocated additional funding in the 2001-2002 Budget to improve services for young people in residential care. While this assistance is welcomed, the issues regarding statutory services extend beyond the funding of residential services, as highlighted by the evidence provided to the Committee.

Accordingly, the Committee recommends that:

Recommendation 8.1:

(a) The Department of Human Services, in consultation with service providers, conduct a review of statutory services delivered by non-government organisations to determine:

(i) current and future demand;
(ii) the effectiveness, adequacy and value for money of current statutory service models;
(iii) duty of care issues; and
(iv) the level and rationale of funding of statutory services delivered by non-government organisations.

(b) The study should be conducted within the next six months and the findings publicly released.
CHAPTER 9: TENDERING AND CONTRACT ARRANGEMENTS

Key Findings:

9.1 Competitive tendering processes were described as inappropriate, inefficient or ineffective by many service providers. The deficiencies have been acknowledged by the Department of Human Services. Yet three of the four ‘new’ funding methods for community services involve competitive tendering.

9.2 The Committee is concerned about the Department of Human Services passing on productivity requirements to external service providers that are not fully funded by the Department.

9.3 Service providers expressed concern about the impact of annual funding on clients, service planning, budgeting and delivery, and on the hiring and retention of staff.

9.4 Three major reviews have recommended the introduction of three-year funding cycles.

9.5 The Department of Human Services acknowledges that over 90 per cent of its budget is certain from year to year and develops three-year strategic plans. However, the Department stated its capacity to develop three-year funding of service providers is hampered by the annual nature of its budget cycle.

9.6 The Department’s Integrated Management Cycle sets May and June as the period for negotiating service plans each year, concluding with the signing of agreements on or about the commencement of the new financial year. Service providers advised that Department of Human Services service agreements are not signed off well into the financial year to which they relate.
Key Findings (continued):

9.7 Service providers do not believe they are actively engaged in a meaningful negotiation process leading up to the signing of service agreements.

9.8 The Department of Human Services states that regional departmental offices have a detailed understanding of client needs, regional factors impacting on the supply and demand for services, and the adequacy of services provided. Yet service agreements, including performance measures or outputs, have usually been formulated centrally with little input from either departmental regional offices or service providers. Therefore local/ regional expertise has a limited opportunity to influence agreements or services.

9.9 The late signing of agreements, late payments, unexplained variations to expected payments and payments made without full accompanying explanations, is a problem for service providers. In October 2000, the Department of Human Services announced measures aimed at eliminating these problems.

9.10 The Department of Human Services will give service providers the option of entering into separate service agreements with each departmental Regional Office. Service providers operating across Regions will also have the option of negotiating with Head Office directly, in response to service providers’ concerns about their relationship with the Department’s Head and Regional Offices.

9.11 The legal status of service agreements is unclear.

9.12 The language and format of service agreements is not clear to many service providers.
<table>
<thead>
<tr>
<th>Key Findings (continued):</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>9.13</strong> Service providers identified problems relating to the nature, status and availability of Department of Human Services’ standards and guidelines.</td>
</tr>
<tr>
<td><strong>9.14</strong> Service agreements contain a provision that if a dispute between a service provider and the Department of Human Services cannot be resolved after a dispute resolution process has been followed, then the Secretary of the Department, rather than an independent arbiter, has the power to terminate agreements.</td>
</tr>
<tr>
<td><strong>9.15</strong> A number of service providers expressed concern about the intellectual property clauses contained within service agreements.</td>
</tr>
<tr>
<td><strong>9.16</strong> The statutory provisions of service agreements (for example, the fire protection provisions) are appropriate and essential, although the implementation and monitoring of these requirements are of some concern.</td>
</tr>
</tbody>
</table>

This chapter relates to the ninth term of reference – that the Committee review the tendering and contract arrangements for DHS service agreements and determine:

(a) whether the current arrangements are appropriate, efficient and effective; and

(b) if changes are required.

Four aspects of tendering and contract arrangements will be addressed in this chapter:

- the methods by which the Department of Human Services selects providers - for example, through competitive tendering, invited submissions or historical allocations and the appropriateness, efficiency and effectiveness of such methods;
the productivity charge on service providers;

- issues regarding the timeliness of Department funding, the payment process and the duration of service agreements; and

- the content of service agreements. Service providers expressed concerns regarding the volume, complexity and accuracy of agreements; the roles and responsibilities of respective parties; departmental standards and guidelines; and dispute resolution and intellectual property clauses. The most common concerns of service providers and the Department’s responses are discussed in this chapter.

Service providers have expressed concern about the current tendering and contract arrangements:

... many organisations have found the imposed and prescriptive nature of Funding and Service Agreements to challenge their sense of identity and purpose. 338

The reality is that the current HSA (Health Service Agreement) system is unworkable. Neither agencies nor the Department of Human Services can use the HSA as a management tool because of the sheer volume of indicators and paper. 339

9.1 Selection of service providers by the Department

As noted in Chapter 7, not all Department of Human Services services are funded on a unit price basis with some continuing to be on a programmatic or block-funding basis. 340 Furthermore, some Department unit cost models are historically based i.e., most community care services. 341 According to VCOSS, a competitive tendering process has been applied to around 12 per cent of

338 MacKillop Family Services, submission no. 121, p. 4
340 Department of Human Services, submission no. 156, p. 50
341 Ibid, p. 52
externally delivered departmental services. Compulsory competitive tendering of Local Government services was abolished in December 1999 with the introduction of the Local Government (Best Value Principles) Act.

9.1.1 Issues raised by the Department

The current Department of Human Services policy on purchasing of human services from providers states that ‘all purchases of an estimated value of more than $100,000 must be publicly tendered, unless they have received an exemption from the Secretary’. However, this rule has been variably applied to providers delivering services to clients/patients, with some having been competitively tendered, and others receiving roll-over funding.

Further, the Department advised that:

... the previous policy setting, which was to tender all new funding, was taking us three to six months to get through a tender process cycle. We specified tenders, went out, obtained expressions of interest, evaluated the people who were short-listed, sometimes had secondary discussions with short-listed parties, then made an allocation decision, which took a long time and was sometimes for small value distribution.

We believe that provider selection requires revision. Under previous policy settings all new initiatives were tendered, and because of the time-consuming nature of that process for value we believe that there are better ways of dealing with new funding in particular ...

---

342 Victorian Council of Social Service, submission no. 133, p. 18
343 Department of Human Services, submission no. 161, p. 9
344 Ibid, p. 9
345 Mr L Wallace, Director, Resources Division, Department of Human Services, transcript of evidence, 24 August 2000, pp. 6, 8
The Department's first submission cited the Government's community services policy:

Labor does not believe that market forces are the best way to allocate community services, particularly where they deal with vulnerable children and families and people with disabilities. These services are most needed by people for whom the market has failed to deliver adequate outcomes. It is therefore appropriate to expect the market to deliver services to these people in a fair and equitable way.\textsuperscript{346}

The policy also states that compulsory competitive tendering will be removed from community services. The Department advised the Committee that there will be no routine tendering of core services such as mental health, drug treatment, palliative care and Victoria Carer initiatives.

The Department's second submission set out its new funding allocation approach which will replace competitive tendering and privatisation as the default policy for funds allocation.\textsuperscript{347} The Department advised that:

... we are moving from privatisation and competitive tendering to collaboration and long-term relationships with the field. That is a fundamental shift in policy for us and means that the way we deal with agencies will fundamentally change. For example, under privatisation and competitive tendering, it is fairly hard to have a totally inclusive process in the development of the tender, given the organisations that are tendering would have inside information.\textsuperscript{348}

The key initiative proposed is a new policy on how funding will be allocated to providers to replace the previous policy of routine tendering of community services.\textsuperscript{349} The Department advised that three principles will govern the criteria for deciding which funding allocation method to use: best value outcomes; financial responsibility; and partnership.

\textsuperscript{346} Department of Human Services, submission no. 156, p. 3
\textsuperscript{347} Department of Human Services, submission no. 161, p. 5
\textsuperscript{348} Mr S Solomon, Director, Policy Development and Planning Division, Department of Human Services, transcript of evidence, 24 August 2000, pp. 2-3
\textsuperscript{349} Department of Human Services, submission no. 161, p. 8
The four methods for allocating funds to service providers are competitive tendering, the advertised submissions process (which also involves competition between providers), the invited submissions process (a variation on the advertised submissions process) and direct allocation. Further, instead of requiring publicly advertised and periodic competitive tendering for all services worth above a certain monetary limit, the proposed funding approach requires an assessment of which combination of fund allocations methods and quality assurance strategies best advances the public interest.\textsuperscript{350}

The Department of Human Services advised the Committee that service providers widely perceived the Department’s previous emphasis on competitive tendering of services as representing a substantial administrative effort, often for little apparent gain and a barrier to greater service provider cooperation and partnership.\textsuperscript{351} However, it is not clear how the new funding allocation regime will address provider’s concerns, given that three of the four funding allocation methods involve competitive tendering.

The Implementation of New Provider Selection Framework for the Department of Human Services: Interim Guidelines, confirms this by stating that:

\begin{quote}
While the (provider selection) processes are not new in themselves, new concepts and processes will be introduced to ensure the Department’s provider selection and funds allocation aligns not only with requirements for transparency, accountability, rigour and best value but also to considerations of collaboration with and certainty for agencies, quality services, continuity for clients and building social infrastructure.\textsuperscript{352}
\end{quote}

\textsuperscript{350} Ibid, p. 9
\textsuperscript{351} Ibid, p. 8
\textsuperscript{352} Department of Human Services, May 2001, Implementation of New Provider Selection Framework for the Department of Human Services: Interim Guidelines, p. 2
It is not clear:

- how the new funding allocation policy markedly differs from past departmental policy;
- how the new policy will affect current funding arrangements – for example, whether the policy will apply to all departmental funding or just growth/new funds, and whether the policy will apply to all externally delivered departmental services;
- when the revised departmental purchasing guide (outlining the circumstances under which each of the four funding allocation methods would be employed) will be publicly available;
- how the policy will address service provider concerns about competitive tendering and submission round funding; and
- whether non-government organisations have been consulted on the development of the new policy.

9.1.2 Issues raised by service providers

Service providers raised several concerns about the competitive tendering and submission round process.

First, it is not conducive to building co-operation among service providers, between providers and their clients and communities. The South Central Region Migrant Resource Centre advised that:

Tenders favour larger organisations with an administrative infrastructure that enables them to provide services at relatively lower costs than smaller agencies that have less capacity to cross subsidise ... These agencies often lack specific sector expertise and local knowledge and have difficulty in providing services to specific groups such as ethnic communities, even though they often win tenders to do so. In the past the Migrant Resource Centre has been approached by organisations which have won tenders to provide services to ethnic communities seeking our assistance in contacting communities and developing service models. This has occurred on occasions when the Centre has also sought funding to provide the
same service which we are currently providing in adjacent municipalities.\textsuperscript{353}

Centacare Catholic Family Services found that:

... fundamentally the welfare sector has always worked on a co-operative ethos. When the competitive ethic was introduced it caused enormous divisions and suspicion [between providers] because you were now under contract with commercial confidence provisions etc and you were competing against each other ... Now, that dynamic is counter-cultural to everything in the history of welfare.\textsuperscript{354}

Secondly, the resource intensive nature of the process, the duration of contracts and the level of funding create difficulties for service providers. The Salvation Army advised that:

Last year ... there was an advertisement for a women’s crisis accommodation facility funded through the Supported Accommodation Assistance Program ... It was a fixed-price tender. We did the sums, and we believed you could not deliver that service in a safe way for the money that was being offered. We submitted on the basis of a higher price - and were not successful, obviously - but we wanted to make the point ... Because we have a philosophical commitment to taking on very difficult clients, we made that tender on the basis of being able to accommodate anybody and not having, therefore, to gate-keep and put people out of the service. I guess my sense is that when you try to deliver a service for less money than it really requires, you actually cannot do the harder work. As I say, we did the rosters and just worked out what we thought was not a frilly sort of service but a pretty basic approach, and it could not be done. For us to have been in the hunt with that we would have had to put about $100,000 into the budget in that case, which we were not able to do.\textsuperscript{355}

\textsuperscript{353} South Central Region Migrant Resource Centre, submission no. 58, p. 3

\textsuperscript{354} Mr C Pearson, Director of Services, Centacare Catholic Family Services, transcript of evidence, 28 September 2000, p. 177

\textsuperscript{355} Ms M Hamley, Director, Social Program Consultancy Unit, Salvation Army, transcript of evidence, 26 September 2000, p. 160
Bendigo Health Care Group commented that:

One of the things that we should stop doing is ‘tendering’, for want of a better word, for small amounts of money. That costs time, effort and delay in our circumstances when there are sometimes no choices about who they give the money to because there might not be anybody better equipped to do it, or a bit of it, than our organisation, yet we have to go through the process of telling them how we will spend the money they want to give us. It is a back-to-front thing that happens a lot.  

Similarly, Women’s Health Victoria claimed that the amount of resources and agitation that go into the competition for a small amount of money (that is, $10,000 or $25,000) is extraordinary. Further, administration of lots of small amounts of money is what makes service delivery so complex. The Committee was advised that Women’s Health Victoria has chosen at times not to compete.

Thirdly, the winning of tenders appears to be based on the volume and presentation of documentation produced by a service provider, rather than on the past performance and expertise of a provider. Better Hearing Australia advised the Committee of a tender for the Redevelopment of Services for Deaf and Hearing Impaired People (Rural Initiative), in which the key selection criteria relating to expertise in delivering services to deaf and hearing impaired people received a weighting of only 8 per cent.

Finally, the timeliness of tenders is a problem. Service providers have insufficient time to respond to calls for expressions of interest. Further, delays have occurred in the negotiating and awarding of tenders.

The difficulties this presents were outlined in the submission from the Royal District Nursing Service:

---

356 Ms K Byrne, Chief Executive, Bendigo Health Care Group, transcript of evidence, 19 September 2000, p. 47
357 Ms M Beaumont, Executive Director, Women’s Health Victoria, transcript of evidence, 19 October 2000, p. 284
358 Better Hearing Australia, submission no. 57, p. 1
The HACC funding round in the last two years has operated between November and February. However it wasn’t until May 2000 that the Department started to advise us whether we had been successful in the applications we made in November for the 1999-2000 growth monies. At the time of writing [mid-June 2000], we still have not been notified of the final outcome of our HACC growth money submissions and as mentioned above, negotiations for the service agreement for 1999-2000 have only just now commenced.\textsuperscript{359}

Similarly Southern Metropolitan Regional Disability Respite Reference Network advised that:

Calls for expressions of interest in a tender are often requested with insufficient time to respond. Services are then pressured to respond with inadequate preparation time for tenders that usually require a detailed and comprehensive response.

The process by which tenders are awarded requires greater transparency and accountability to all service providers who have applied for any given tender. It is also reasonable, that if service providers are given a respond by date, then the Department should also have a predetermined date by which time the successful service or services are announced, and the Department’s decision-making process that decided which service was successful is also detailed.\textsuperscript{360}

9.1.3 Discussion and recommendations

The Committee received at the conclusion of the hearing process, an outline of the Department’s new methods of selecting and funding service providers. The Committee was therefore unable to consider details of the proposed changes or seek provider’s views on the changes. The Department’s second submission indicated that a policy and cultural shift is required that has four key dimensions – that is, a shift from privatisation and competitive tendering to cooperation; best value; transparency; and a sustainable community sector.\textsuperscript{361} Yet three of the four new

\textsuperscript{359} Royal District Nursing Service, submission no. 59, p. 6
\textsuperscript{360} Southern Metropolitan Regional Disability Respite Reference Network, submission no. 50, p. 5
\textsuperscript{361} Department of Human Services, submission no. 161, p. 4
funding methods outlined in the Department’s submission involve competitive tendering.

VCOSS advised that:

We were quite clearly given an option ... [in the Stronger Citizens, Stronger Families, Stronger Communities: Partnerships in Community Care document] of funding models ranging from competitive tendering to just allocation. That is all very well, but we are not told of the criteria by which those decisions will be made, who will be making them and under what circumstances, and what impact each of the funding models will have on the relationship between the Department and agencies concerned. There is still a lot of fleshing out to be done.362

However, evidence received by the Committee from the Department and service providers suggests that current tendering processes are not always appropriate, efficient or effective.

The Western Australian Government prepared a proposed procurement strategy for family and children’s services.363 The strategy establishes a mechanism by which providers, demonstrating the following attributes, can attain a preferred supplier status:

- continue to meet the departmental need;
- meet the agreed service specifications, contractual requirements and set standards of delivery;
- operate efficiently and effectively; and
- are actively engaged with the Department in continually improving services to provide the best possible service for the Department’s customers.

---

362 Ms M Webster, Vice-President, Victorian Council of Social Service, and Member, Catholic Social Services, transcript of evidence, 6 March 2001, p. 539
363 Government of Western Australia, 1999, Family and Children’s Services proposed procurement strategy: purchasing quality services
In March 1999, a Business Process Review comprising a team of Department of Human Services and KPMG personnel identified a number of recommended actions to improve the Department’s purchasing process. One of the recommendations was to investigate the increased use of provider panels:

Informed decisions should be made as to whether the recurrence and performance of some providers suggests that the use of a provider panel may be advantageous to the Department. Less effort in sourcing providers should result, along with increased certainty in sourcing quality providers.\textsuperscript{364}

Accordingly, the Committee recommends that:

**Recommendation 9.1:**

The Department of Human Services, in consultation with service providers, consider a mechanism to confer preferred supplier status, subject to periodic review, on appropriate providers in Victoria.

**Recommendation 9.2:**

The Department of Human Services, in the process of revising funding methods for human services, consult with service providers on the merits and shortcomings of various selection methods.

**Recommendation 9.3:**

The Department of Human Services’ purchasing guide be periodically revised in consultation with service providers and include:

(a) detailed criteria for the different methods of selecting providers and the decision-making process;

(b) minimum tender amounts for various human services (for example, $250,000 for acute health services), to ensure the costs of tendering do not outweigh the benefits of a competitive process;

(c) where and under which conditions competitive tendering is considered to be an inappropriate method for selecting providers; and

(d) details of the Department of Human Services’ business practices for tendering/funding processes. The business practices should ensure sufficient time for service providers to respond to calls for expressions of interest, and timely negotiation and award of tenders.

9.2 Productivity charge on service providers

The Committee notes that the Department is required by the Government to impose a 1.5 per cent productivity charge to its operations each year. The impact of the productivity charge on each of the Department’s output groups for 2000-2001 and 2001-2002 is shown in the following exhibit.
Chapter 9: Tendering and contract arrangements

Exhibit 9.1: The impact of the productivity charge on each of the Department’s output groups for 2000-2001 and 2001-2002

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Health Services</td>
<td>30.6</td>
<td>31.3</td>
</tr>
<tr>
<td>Sub-Acute Health Services</td>
<td>2.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Ambulance Services</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Aged and Home Care</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Primary Health</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Dental Health</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Mental Health</td>
<td>4.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Public Health and Drugs</td>
<td>0.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Disability Services</td>
<td>4.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Community Care</td>
<td>4.8</td>
<td>5.2</td>
</tr>
<tr>
<td>Concessions</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Housing Assistance</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50.9</strong></td>
<td><strong>53.2</strong></td>
</tr>
</tbody>
</table>

The Department of Human Services advised:

Generally, the annual charge is reflected in adjustments made to the price paid to agencies for externally delivered services (comprising over 80 per cent of the Department’s budget). These adjustments are often offset by annual increases in funding to reflect cost of living changes, wage increases, new initiative funding etc. The Department monitors and reviews its operations to determine if savings and efficiencies are being achieved without adversely impacting on service delivery.\(^{366}\)

Given the high level of concern in submissions and evidence about the current funding levels not reflecting the true cost of service delivery, and the lack of adequate evaluation and review of service delivery levels contained in service agreements, the Committee is

---

\(^{365}\) Department of Human Services, response to the Committee’s 2001-2002 Budget Estimates questionnaire, p. 60

\(^{366}\) Ibid, p. 60
concerned about the Department directly passing these productivity requirements on to external service providers. The Committee is not convinced that the Department is adequately monitoring the impact that the productivity charge is having on the delivery of services by providers or appreciates the difficulties that service providers are facing in obtaining ‘top up’ funding.

Accordingly, the Committee recommends that:

**Recommendation 9.4:**

The Department of Human Services reconsider its current policy of automatically passing productivity savings requirements to service providers.

### 9.3 Processes associated with service agreements

Providers identified six aspects of the processes associated with Department of Human Services service agreements that were of concern including:

- the duration of service agreements;
- the timeliness of service agreement processes;
- the negotiation of service agreements;
- payment schedules, processes and variations;
- the relationship between service providers and the Department’s Regional and Head Offices; and
- the legal status of service agreements.

Each of these issues, including the Department’s position, are discussed below.

#### 9.3.1 Duration of service agreements

The Department of Human Services stated that for most Department-funded service providers, the relationship is an
However, most Department of Human Services service agreements have a duration of only one year. Multi-year agreements are used for some providers, but they are a minority (mainly pre-schools). Furthermore, the financial parameters may remain unclear over the life of the multi-year agreement, and the service plans, within a multi-year agreement, only apply to a single financial year and must be renegotiated annually.

The duration of Department of Human Services service agreements and their impact on provider operations and clients was one of the key concerns raised by service providers during the course of this Inquiry. Providers expressed concern at the impact annual funding has on service planning, budgeting and delivery; and the hiring and retention of staff.

The Department recognises the difficulties that one-year agreements present for service providers:

... the formal expiry of agreements on 30 June each year creates unnecessary uncertainty for agencies. Although ‘roll-over’ funding continues to be provided, the nature of the accountability for this in the absence of an unsigned agreement is unclear.

However, the Department advised the Committee that one-year service agreements are used because:

- the State Budget is appropriated annually;
- there is uncertainty about the level of funding to meet growth in demand until the Budget is brought down; and
- performance measures may change.

---

367 Department of Human Services, submission no. 161, p. 22
368 Ibid, p. 22
369 Department of Human Services 2000, Service Agreement Manual: Business and Systems Processes, section 1.2, p. 4
370 Ibid, p. 22
371 Department of Human Services, submission no. 156, p. 23

205
The Department also advised that:\footnote{372}{Ibid, pp. 20, 33-34; and Mr L Wallace, Director, Resources Division, Department of Human Services, transcript of evidence, 24 August 2000, p. 7}

- in the late 1980s, the former Department of Community Services Victoria made use of multiple (usually three) year agreements to allow for the development of more sustained partnership arrangements with providers and to contain the administrative burden on both the Department and provider of renewing entire agreements each year;

- other jurisdictions have multi-year agreements. For example, Department of Human Services receives a significant proportion of its budget from the Commonwealth in the form of Special Purpose Payments. The payments are governed by agreements with a duration of three to five years; and

- there is year to year budget certainty regarding over 90 per cent of the Department’s funds.

A number of recent reports and policies have highlighted the benefits of multi-year rather than one-year service agreements:

- the Department’s first submission to the Inquiry acknowledged:

  The Community Services policy states [that] ... where agreements are entered into with non-government agencies, attempts should be made to give the agencies certainty and the ability to plan for the future. This means agreements lasting for longer than one year;\footnote{373}{Department of Human Services, submission no. 156, pp. 3-4}
the Victorian Ministerial Review of Health Care Networks (May 2000) recommended that three-year health service agreements be introduced to add greater stability and significantly reduce the administrative overlay associated with processing and reprocessing an agreement;\footnote{Department of Human Services, Ministerial Review of Health Care Networks: Final Report, May 2000, p. 139; and Ministerial Review of Health Care Networks: Government Response, May 2000, p. 25}

- a Department of Human Services Business Process Review in March 1999 recommended that the Department:

  Increase the use of three year agreements with providers and consider the use of five year agreements. The Service Agreement unit should identify those agreements which are currently for less than a three year period, and work with divisions and regions to target those able to be extended commencing the service year of 1999/2000. Those regions that have already effected an agreement profile with a majority of three year agreements, should be considered as examples of successful adoption of longer term agreements. Resulting benefits include reduced overall effort in establishing agreements, reduced annual effort in provider negotiations;\footnote{Department of Human Services 1999, Recommended immediate actions: opportunities to improve the DHS purchasing process, TB21: Purchasing Client Services Business Initiative Business Process Review, p. 4} and

\begin{itemize}
  \item... recognising that while the budget cycle operates on an annual basis ... three year Health Service Agreements would have little meaning. Public hospitals operate in an environment of relative certainty already compared with other industries, with both revenue and expenditure varying only by a few percent each year. More certainty can be created through better health service planning which stipulates which areas are targeted for expansion and contraction. Development of a Metropolitan Health Services Plan would provide this more certain planning environment and is under consideration.
\end{itemize}
the 1995 Productivity Commission report on Charitable Organisations in Australia found that agreements offering funding for one year produce difficulties for organisations in planning services and employing and retaining staff.\textsuperscript{376} The Commission recommended that multi-year funding agreements, typically three-year, be introduced. The Commission noted that most Governments now operate a system of forward estimates as part of the budgetary process, although some difficulties would need to be addressed in relation to Parliamentary Appropriations to accommodate three-year agreements. However the Commission believed that these could be handled by writing appropriate adjustment clauses into the funding agreement. The Commission’s view was that longer term agreements would improve the relationship between Governments and the sector, give the sector greater flexibility and offer increased opportunities to ‘innovate’ rather than waste resources on repetitious negotiations.

However, the Department’s advice to the Committee regarding the reintroduction of three-year service agreements was ambiguous. Their second submission stated that:

\begin{quote}
Restoring some of the features that characterised service agreements prior to the development of the common approach in 1994-95, such as 3-year agreements ... will go some way to better reflecting the partnership approach to the relationship.\textsuperscript{377}
\end{quote}

Yet, the submission also acknowledges that:

\begin{quote}
The potential to introduce three-year Service Agreements will be further explored, recognising that the State Budget operates on an annual cycle.\textsuperscript{378}
\end{quote}

Service providers highlighted the problems created by single-year agreements. The Interchurch Chaplaincy Committee of Victoria

\begin{footnotes}
\item[377] Department of Human Services, submission no. 161, p. 29
\item[378] Ibid, p. 23
\end{footnotes}
indicated that the current policy of annual funding leads to instability for clients, redirection of resources from service provision into reapplying for funding, difficulty in recruiting and retaining staff on annual contracts, loss of expertise in the sector and difficulty in offering continuity of service delivery. 379

Wellington Shire Council believes that the introduction of longer time frames for service agreements would improve service planning:

We believe that a three to five year timeframe would further enhance coordination and planning, both at a local service and at a municipal level. Longer term Funding Agreements would enable services to create and fund initiatives in response to local need, without waiting to hear about and/or being dependent on future funding levels. It would also create an environment more supportive of longer term planning, which will further assist with policy reforms and the achievement of greater outcomes for consumers. 380

Melbourne Citymission indicated to the Committee that one-year service agreements have an impact on its relationship with the Department:

The basic argument is the Government cannot enter into an agreement because it cannot guarantee supply. However, we are expected as an agency to enter into an agreement to continue to supply, even though the funds cannot be guaranteed. That is where the mutuality comes in. 381

9.3.2 Timeliness of service agreement processes

The Department’s Integrated Management Cycle sets May and June as the period for negotiating service plans each year, concluding with the signing of agreements on or about the commencement of the new financial year. According to the

379 Interchurch Chaplaincy Committee of Victoria, submission no. 36, p. 4
380 Wellington Shire Council, submission no. 62, p. 7
381 Reverend R Cleary, Chief Executive Officer; Melbourne Citymission, transcript of evidence, 11 October 2000, p. 245
Department, in practice, the achievement of these timelines is variable across the Department:

There is a series of steps in allocating funds to agencies. Those steps start in May. Some work is then needed on our central programs to divide available funds across regions and also to determine broad policy settings for savings, new initiatives and to work through the details of those policy settings. The next step is to allocate funds to regions, and the regions allocate funding through agencies at that next step.

The Department has aimed to complete those two steps at the end of the financial year. Even though the budgets come down in May, the Department aims to achieve that by the end of June. That has been particularly difficult to achieve and the Department has not achieved that over the past couple of years. The processes have tended to be fully completed in the period August to September rather than within those earlier time frames.\(^{382}\)

Service providers have advised the Committee that Department of Human Services service agreements are not signed off until well into the financial year to which they relate. For example, Jesuit Social Services service agreement for 1999-2000 was signed 50 weeks into the financial year.\(^{383}\) Likewise, the Spastic Society of Victoria stated that:

The negotiation/approval process for FASAs typically is not completed until several months after the commencement of the financial year. This is poor business practice that creates confusion about approved service levels and inhibits agency decision making. Since 1993/94, when the unit cost system was introduced ... funding and service agreements have typically been approved 9 to 13 months after commencement of the funding period:

\(^{382}\) Mr L Wallace, Director, Resources Division, Department of Human Services, transcript of evidence, 24 August 2000, p. 6

\(^{383}\) Jesuit Social Services, submission no. 38, p. 2
It appears from the public hearing the Committee held in Geelong that the late signing-off of service agreements remained a problem in the 2000-2001 financial year. Several service providers – including Bellarine Peninsula Community Health Service, MacKillop Family Services (Barwon) and Barwon Health – advised that either they had not received or had not signed off on their service agreement.

The Department indicated that its ‘generally stable funding framework’ means that providers that have not signed their service agreements by 1 July can continue to be paid on a rollover basis until a new agreement is signed. Rollover funding is based on a provider’s recurrent funding for the previous year. However, providers advised the Committee of instances where services have been delivered on an ongoing basis, only to find, when the service agreement arrived, that funding has been withdrawn by the Department. For example, Indigo Shire Council informed the Committee that:

In 1999-2000 the service agreement for the home and community care funding to the Indigo Shire Council was not delivered to the council until February 2000 – some eight months after the agreement had commenced. For the shire to find out that its budget had been reduced by $50,000 after it had continued to operate on the previous funding because it had not been advised of anything different is a direct flaw in the process. There is no way for service

---

384 Spastic Society of Victoria, submission no. 126, p. 8
385 Department of Human Services, submission no. 156, p. 22
sectors to determine what the expectations are before they commence service delivery for that period of agreement.\textsuperscript{386}

Barwon Health experienced similar problems as a result of the late receipt of Department of Human Services service agreements:

There are delays in the issue of the health service agreement. For the past few years we have not had it until about half the year has been completed and our service has been running. That could mean that we have to cut back services or staff or increase targets ... They add to the frustrations and it is not how you would expect a large-scale business of $170 million a year to run.\textsuperscript{387}

The Department has identified the short time between the handing down of the Commonwealth and State Budgets and the start of the financial year as the key barrier to the Department meeting the 1 July deadline for the signing off of service agreements.\textsuperscript{388} The Department also outlined a number of additional factors that have contributed to the delays, including:\textsuperscript{389}

- delays by central office in resolving the policy and planning framework for the allocation of funds and productivity savings to regions and service providers;
- some programs allocate funds to regions using an equity formula and regions then have a further planning and allocation process, sometimes involving public invitations for submission which can further delay the process;
- the proportion of departmental resources, prior to 1 July, focusing on ensuring that remaining elements of the previous years allocations are finalised, means that planning for the following year starts too late; and

\textsuperscript{386} Ms R Tai, Manager, Community Services, Indigo Shire Council, transcript of evidence, 21 September 2000, p. 126

\textsuperscript{387} Mr D Dillon, Business Manager, Community and Mental Health, Barwon Health, transcript of evidence, 8 December 2000, p. 524

\textsuperscript{388} Letter, dated 3 October 2000, from Ms P Faulkner, Secretary, Department of Human Services

\textsuperscript{389} Ibid; and Department of Human Services, submission no. 161, p. 20
the time consuming nature of tender processes that previously characterised the provision of new funding in many program areas.

However, the Department also advised that, as discussed in the section above, there is budget certainty regarding over 90 per cent of the Department’s funds, which suggests that the bulk of funding to service providers could be resolved (and service agreements signed off), prior to the start of the financial year, rather than being delayed by the processes associated with the residual funding.

The Department of Human Services has identified, as a major challenge, that funding needs to be resolved much earlier in the financial year. In its second submission to the Inquiry, the Department outlined a number of measures for addressing the issue of the timeliness of the service agreement process, as follows:

- changes to the Department’s Integrated Management Cycle, including bringing forward the Budget cycle by two months. The Department’s aim is to resolve the core Budget earlier so that negotiations that proceed into the financial year are primarily about ‘add-ons’ or ‘productivity requirements’ rather than the core budget of service providers;

- publication of the Divisional Policy and Funding Plans by 30 June each year – currently only Acute Health meets this timetable, and not all Divisions produce annual Policy and Funding Plans. This will act as both a discipline on the Department to resolve policy and planning issues earlier, and be a means of notifying regions and service providers of funding and allocations decisions in advance of negotiating service agreements; and

---

390 Ibid, pp. 20, 33-34; and Mr L Wallace, Director, Resources Division, Department of Human Services, transcript of evidence, 24 August 2000, p. 7
391 Mr L Wallace, Director, Resources Division, Department of Human Services, transcript of evidence, 24 August 2000, p. 8
392 Department of Human Services, submission no. 161, pp. 23-24
• a series of administrative changes.

However, the Committee was unable to determine what the status of these measures are, the timetable for their implementation and what impact they will have in achieving the signing off of service agreements by 1 July. The Department has stated that:

These changes will in part help internal responses within the Department to ensure more timely allocation to agencies and to assist budget planning for agencies.\(^{393}\)

For example, the publication of Divisional Policy and Funding Plans by 30 June indicates that service agreements will not be able to be negotiated and signed off prior to the commencement of the financial year. Further, the plans are designed to enable service providers to assess the likely impacts on their budget ahead of the formal negotiation of service agreements. However, the 2000-2001 plan for Community Care, for example, released in October 2000, contains only details of unit funding levels for different services and regional budget allocations by programs, making it difficult, if not impossible, for an individual provider to determine its budget allocation for the forthcoming year.

Another initiative which illustrates that the Department's proposed measures may not address the matter of timely signing off of service agreements are the proposed more flexible funding rules. For instance, the Department advised that:

Given the difficulty of finalising all aspects of service agreements by or soon after 1 July, the new approach will allow payments to flow against revised budgets prior to the agency signing the service agreement.\(^{394}\)

Furthermore, the Committee notes that the proposal to resolve the ‘core’ budget earlier was a recommendation of an internal departmental review into purchasing practices in March 1999:

\(^{393}\) Ibid, p. 21
\(^{394}\) Letter, dated 3 October 2000, from Ms P Faulkner, Secretary, Department of Human Services, Attachment, p. 3
Develop budget process to support the allocation of base budgets in advance of growth/initiative budgets. Work in the area has been undertaken as part of the Managing Resources Business Initiative. Corporate Resources has prepared a paper for Executive consideration relating to the 1999-2000 budget process that supports this action. The timely allocation of a major component of funds will allow more time for regional preparation of service agreements and potentially fewer variations occurring throughout the 1999-2000 year.\textsuperscript{395}

\section*{9.3.3 Negotiation of service agreements}

According to the Department of Human Services, Divisional Funding Plans represent the key policy and procedural document for defining the amount and conditions governing funding to service providers.\textsuperscript{396} The plans set out the key strategies and initiatives for the year. In the case of most Department Divisions, Regional Offices prepare and negotiate service plans and the signing of service agreements with providers.

The Committee sought information on the standard format and content of the negotiations held between the Department and service providers. It advised that there is no standard format although the process generally involves:\textsuperscript{397}

- a review of previous agreements and performance;
- highlighting the differences between a new agreement and previous agreements; and
- highlighting changes to performance measurement parameters.

Other issues that may be discussed as part of the negotiations include:\textsuperscript{398}

\textsuperscript{395} Department of Human Services, March 1999, \textit{Recommended immediate actions: opportunities to improve the DHS purchasing process}, TB21: Purchasing client services business initiative business process review, p. 4
\textsuperscript{396} Department of Human Services, submission no. 156, p. 21
\textsuperscript{397} Letter, dated 3 October 2000, from Ms P Faulkner, Secretary, Department of Human Services
\textsuperscript{398} Ibid
changes in service delivery approach;

where there is an inability to meet targets, a reduction in funds may be negotiated; and

in some circumstances, negotiation around budgets and targets is settled before service agreement negotiation commences. For example, the targets and funding for placement and support services may be determined by the Department in conjunction with service providers within that sector regionally.

In most cases, the Department noted that the previous targets and funds are rolled over with discussion focussing on new expectations, mandatory requirements set out in program guidelines and possible areas for improvement to be addressed during the year, that the Department's region or service provider has identified.\(^{399}\)

The Department of Human Services Service Agreement Manual: Business and Systems Processes states that:

Discussion [between the agency and representatives of the Department] should cover: length of agreement, service standards and guidelines, performance measures and targets, reporting requirements, funding to be provided and funding logistics, financial accountability requirements, etc.\(^{400}\)

The terms and conditions under which a provider will deliver services, set out in Schedule 1 of Department of Human Services service agreements, are not negotiable.\(^{401}\) The terms and conditions cover issues such as the dispute resolution mechanism, intellectual property and subcontracting.

The Victorian Council of Social Service advised the Committee it had been involved in annual discussions with the Department on

\(^{399}\) Ibid
\(^{400}\) Department of Human Services, March 2000, *Service Agreement Manual: Business and Systems Processes*, section 2.1, p. 3
\(^{401}\) Ibid, section 1.1, p. 6
service agreement documentation, particularly Schedule 1, for the past four years:

The major theme of these negotiations has been to seek greater mutuality in the document’s clauses. Historically, the implicit (and sometimes explicit) reading of the agreement reflected a complete power imbalance in favour of the Department.\(^{402}\)

In its second submission to the Inquiry, the Department stated that it would respond to a series of key issues identified by service providers, including:

... [the] limited scope for negotiation in the Funding and Service Agreement process, with the Department unilaterally determining the price and volume to be delivered by agencies.\(^{403}\)

However, it is unclear from the submission what action the Department is taking to address this specific concern of service providers.

Service providers have questioned the Department’s use of the term negotiation as providers do not believe they are actively engaged in a purposeful process leading up to the signing of service agreements. For example, Cobaw Community Health Service stated that:

... whatever document emerges should have some meaning for both parties. I believe [the Committee] may well be inadvertently lead to believe that the [service agreement] documents are the result of some interaction between organisations and departments ... and that out of those discussions emerges some articulation of what the funds are being provided for, what the agency is going to do, that it is a mutual and amicable arrangement that comes to some logical fruition, that it has meaning for both, that it is understood ...

I suggest that is not the case, that the documents are largely meaningless and that they are essentially administrative mechanisms that are given scant regard by both parties and have been that way for some years ... when I worked with the Department

\(^{402}\) Victorian Council of Social Service, submission no. 133, p. 6
\(^{403}\) Department of Human Services, submission no. 161, p. 5
we never referred to the funding and service agreement as the instrument which would resolve [issues of substance].

In some instances, providers have advised that if they do not sign their service agreement, funding is withheld by the Department. Barwon Health advised that:

... when health service agreements started, you had a genuine ability to negotiate – at the margins, admittedly; now you virtually have none. For example, in the aged, community and mental health program, if you do not sign your health agreement, [the Department has] a policy decision to withhold funding for all increases. So in other words you have got cash-flow imperatives hanging over your head. I think it would be more than five years ago where we were generally able to negotiate a similar thing in a health service agreement. The best we can do is to sign the agreement and in our covering letter, as a separate document, say the things that we want to discuss further. Within the body of the document itself you really have absolutely no ability to negotiate anything any more.

Further, providers have advised the Committee that the Department’s regional staff lack the mandate to negotiate and amend service agreements; and that the Department has in the past added clauses that have had an impact on previous service agreements without conferring with service providers. For example, unconditional Government grants towards the purchase of residential units in the 1970s and 1980s have been subsequently and retrospectively redefined as purchasing equity in properties by the Department.

The Salvation Army recommended that a set of agreed business rules be developed to support the service agreement process:

---

404 Mr A Taylor, Chief Executive Officer; Cobaw Community Health Service, transcript of evidence, 19 September 2000, pp. 22-23
405 Mr J Linke, Chief Financial Officer, Barwon Health, transcript of evidence, 8 December 2000, p. 527
406 MacKillop Family Services, submission no. 121, p. 6
Chapter 9: Tendering and contract arrangements

We get a handbook about the process but it does not adequately address the way we will relate on an agency-to-agency level. We would like something about the process that is going to be undertaken and we would be very keen to see more clarity about what power we have in this process, because at the moment we still see it as a very one-sided process. The term 'negotiation' gets used but certainly we do not get to negotiate on funding levels in the service agreement process. It would be very useful to see business rules that clearly stated what capacity we have to realistically contribute to that process.407

9.3.4 Standard payments and variations

Service providers advised the Committee that they have experienced problems regarding the timeliness of Department of Human Services payments and variations and reconciliation of funds.

Upper Murray Family Care advised that the payment schedules in service agreements are irrelevant as the dollar values differ continually as adjustments and variations are made by the Department. Further, only the totals of adjusted remittances are supplied to providers; no accompanying explanation of the payment is supplied. This can result in a lengthy process being undertaken by the provider to establish the purpose or rationale for the funds.408

Bendigo Health Care Group believes that the Rehabilitation and Aged Care (RAC) and mental health programs are of particular concern with no control or reconciliation processes in place:

... this resulted in this organisation being overpaid in the RAC program for the 1998-1999 year by some $300K. This money will be recalled by the Department sometime in the 1999-2000 year.409

407 Ms M Hamley, Director, Social Program Consultancy Unit, Salvation Army, transcript of evidence, 26 September 2000, p. 157
408 Upper Murray Family Care, submission no. 8, p. 6
409 Bendigo Health Care Group, submission no. 77, p. 4
The Inner East Mental Health Services Association (IEMHSA) submission reflects Bendigo Health Care Group’s experience. It advised that it received a significant monthly overpayment of Department of Human Services recurrent funding and is aware of other instances of overpayments:

IEMHSA has heard informally of $1.5 million of overpayments to three Psychiatric Disability Support Services agencies. In the instance of IEMHSA, the organisation has informed the Department’s Head Office and Regional Office and offered to return the funds on presentation of documentation and agreement of the amount of the overpayment. Eighteen months later IEMHSA has not received a clear response from the Department. 410

Service providers have also experienced significant delays in receiving funds from the Department. Berry Street stated that:

... we are continually owed substantial amounts of money from the Department ... This failure to pay [community service organisations] agreed funding has severe impacts on agencies’ cash flow and also involves significant wasted time chasing owed funding. 411

The Royal District Nursing Service advised the Committee that it makes use of a $2 million bank overdraft facility to carry the service over, when departmental funding is delayed:

... it is so important to us that we get the right $3.3 million per month ... What happens is that when it directly credits our bank statement, days later we receive a remittance advice in the mail, but frequently it does not describe what exactly is going on. It will put a label to the money which we cannot interpret ... We then ring the Department up and ask, but often we will not get to the bottom of it. Currently we are still chasing $230,000 to do with award increases last year. For the past five months we have been talking and writing about it, but it is still not resolved. In the end the accumulated

410 Inner East Mental Health Services, submission no. 107, p. 3
411 Berry Street, submission no. 29, p.4
overdraft that arises out of the monies not coming through reaches a point that really hurts.\footnote{Mr R Alderson, Director, Asset Management, Royal District Nursing Service, transcript of evidence, 26 September 2000, p. 165}

In August 2000, the Department stated that the variations process can become resource and time intensive, particularly at certain times of the Budget cycle.\footnote{A variation is defined as a legal change to a service agreement. Variations must occur when a change occurs to the conditions of an agreement. This change may include: increase or decrease in funds; change to service plan(s); change to financial requirements set out in schedule 4 etc. Source: Department of Human Services, March 2000, Service Agreement Manual: Business and Systems Processes, section 1.2, p. 7} In acknowledgement of this, systems improvements have been made to SAM S to streamline the process.

According to the Department, new funding rules have also been introduced to simplify the administrative processes associated with variations for CPI or wage award increases, increases in minor capital funding and changes in funding or targets that are advised by the provider, with only the Department’s signature required (rather than the service provider’s signature also being required).\footnote{Department of Human Services, submission no. 156, p. 7}

Further, in October 2000, the Department advised the Committee that two measures had been introduced that should almost eliminate the payment reconciliation problem for service providers:\footnote{Letter, dated 3 October 2000, from Ms P Faulkner, Secretary, Department of Human Services}

- since the start of the 2000-2001 financial year, the remittance advice that providers received with their Department of Human Services payment has been replaced with a recipient created tax invoice (RCTI). This new invoice is based on the information contained in the payment schedule (Schedule 2) of the provider’s service agreement; and
- the Aged, Community and Mental Health Division has supplemented the RCTI to hospitals with a new remittance advice form which provides even greater detail on the breakdown of each payment.
However, the experience of a number of service providers, recounted to the Committee, subsequent to the introduction of the new measures, indicates that the timeliness of payments remains a major concern, for example, award increases;\(^{416}\) and there remains some confusion regarding the Department’s remittance advice.\(^{417}\) Barwon Health provided to the Committee an example of the Department of Human Services cash flow documentation (Recipient Created Tax Invoice dated 21 November 2000) it receives each fortnight accompanying the payments:

> We have got a whole group of codes and activities there and descriptions to them. They can change through the year ... The money we are getting on that might not actually replicate what we expected in the schedule 2 cash payment forecast.\(^{418}\)

### 9.3.5 Relationship between service providers and Department of Human Services Regional and Head Offices

Service providers expressed mixed views of their relationships with the Department of Human Services Regional and Head Offices regarding service agreements. The roles of the Department’s Regional and Head Offices have been discussed in Chapter 2.

---

416 For example, refer to Mr D Dalton, Chief Executive Officer; and Ms L Oakley, Director, Outer Southern Region, UnitingCare Connections, transcript of evidence, 8 November 2000, p. 332

417 For example, refer to Mr I Fraser, Chief Executive Officer; and Mr J Lau, Director of Corporate Services, Central Gippsland Health Service, transcript of evidence, 7 December 2000, p. 482

418 Mr D Dillon, Business Manager, Community and Mental Health, Barwon Health, transcript of evidence, 8 December 2000, p. 523
Several issues were identified in the evidence and written submissions to the Inquiry:

- some providers, such as Golden Plains Shire,\footnote{Golden Plains Shire, submission no. 13, p. 2} the City of Whittlesea\footnote{City of Whittlesea, submission no. 83, p. 3} and some Victorian Healthcare Association organisations\footnote{Ms M Smith, Executive Director; Ms C Elvins; and Mr G Knox, Victorian Healthcare Association, transcript of evidence, 28 September 2000, p. 199} stated that they preferred to relate to, or were satisfied with the work of the Department’s Regional Office;

- many providers indicated that the Department’s Regional Offices lacked technical knowledge of contracts; understanding of the provider’s business; and the mandate to negotiate the contents of the service agreement, including the capacity to adapt an agreement to reflect local service provision issues, which resulted in delays in decision-making and the signing off of the agreement.

For example, the Ministerial Review of Health Care Networks found that:

There were no submissions which identified any value added to the relationship between the Health Care Networks and the Department by the metropolitan regional offices. In fact, some submissions specifically targeted the regional offices as a potential source of savings. A common theme was there was a lack of clear definition, clear accountability and responsibility between the central office of the Department and the metropolitan regional offices, resulting in duplication of effort and cumbersome processes.\footnote{Department of Human Services, \textit{Ministerial Review of Health Care Networks: Final Report}, May 2000, p. 134}

The experience of the Bendigo Health Care Group reflected the review’s findings:

... the actual [service agreement] negotiation process each year is in fact a provider agreeing largely to a document over which the regional office has no control.\footnote{Bendigo Health Care Group, submission no. 77, p. 3}
Further, Jesuit Social Services advised that:

... there is often the problem when trying to negotiate a contract with the Department that you are in a situation where the person you are negotiating with does not have sufficient technical knowledge to be really able to negotiate with you, and secondly, does not have the appropriate authority. So if you all agree that there is a need for a variation, that person does not have the authority to approve it. Often it goes back to some central point where those discussions are simply ignored.424

The Carers Association Victoria stated that:

Sometimes I say that if I could have a dollar for every hour that I have spent briefing the Department of Human Services, not just about us as an organisation but about their own programs, I would love to give someone the bill. The loss of corporate knowledge and people changing positions ... has been very frustrating.425

Service providers that operate across more than one Department of Human Services region cited difficulties with regards to delays in negotiating and signing off on service agreements and consistency in departmental decision making;

The Victorian Healthcare Association advised that:

... some of the Regional Offices will interpret central policy or departmental policy directions quite differently, so that there are inconsistencies across the regions. But we support regional offices in non-metro areas. We think there needs to be a relatively close working relationship between the Department and the agencies once you get out of the metropolitan area ...426

---

424 Mr D Murray, Policy Director, Jesuit Social Services, transcript of evidence, 6 December 2000, p. 437
425 Ms M Bohan, Executive Director, Carers Association Victoria, transcript of evidence, 6 December 2000, p. 452
426 Ms M Smith, Executive Director, Victorian Healthcare Association, transcript of evidence, 28 September 2000, p. 200
Anglicare Victoria advised the Committee of other problems encountered by service providers that operate across a number of Department of Human Services regions. These providers have been required to have one lead region co-ordinate the service agreement across all the regions in which a provider operates:

The system we have at the moment with a lead agency means that of our 60 service plans spread across five regions it only takes one delay to one service plan to delay the whole service agreement. That is what has happened year after year. One small debate about one tiny service stops the whole service agreement being completed.\textsuperscript{427}

Several service providers recommended that this problem be overcome with providers being able to negotiate separate service agreements with each Department of Human Services region.

Providers delivering statewide services also identified shortcomings in negotiating their service agreement with a single lead region and negotiating separate agreements with regional offices. For example, Court Network which provides support, information and referral services to people involved with Victorian Courts, stated that:

Management of Department of Human Services matters ... is currently effected through only one region and with a structure that favours a focus on regional issues we remain relatively unknown in other [departmental] regions.\textsuperscript{428}

The Royal District Nursing Service advised the Committee of its preference to work with the Department centrally rather than sign separate service agreements with different regions:

We believe there needs to be greater flexibility by the Department in its approach to the development of service agreements. A single point centrally based approach is preferred by RDNS given our broad metropolitan area coverage across four departmental regions. But we acknowledge that a regionally based approach by the

\textsuperscript{427} Ms A Were, Operations Manager, Anglicare Victoria, transcript of evidence, 19 October 2000, p. 270

\textsuperscript{428} Court Network, submission no. 120, p. 2
Department might be preferred by other providers. Put simply, we do not believe a ‘one size fits all’ approach, which has hallmarked service agreements in recent years, is the most effective way to ensure responsive and appropriate levels of service provision.\footnote{Royal District Nursing Service, submission no. 59, p. 2}

The roles of the Department’s Regional and Head Offices were also identified by service providers as an issue. Wesley Central Mission advised that:

\ldots there needs to be a clarification of roles needed between the central office and regional offices. Although both of these consider they understand the differentiation this is not the experience of those who deal with them. The roles seem ‘blurred’.\footnote{Wesley Central Mission, submission no. 117, p. 5}

Good Shepherd Youth and Family Service stated that most of their annual negotiations with the Department are through a regional office:

Of course the people there [at the Regional Office] would say that they are given the service agreement pro formas from the Department’s Head Office and there is very little they can do. When we talk to Head Office … [they say], ‘Well it really is a regional issue. They are the ones on the ground and they know the local communities’. We really get batted backwards and forwards.\footnote{Mr M Yore, Director, Good Shepherd Youth and Family Service, transcript of evidence, 20 November 2000, pp. 396-397}

The Regional Director of the Department of Human Services Southern Metropolitan Office believes that greater consistency across the Department’s regions could be achieved:

\ldots we rely a lot on our central divisional colleagues - our program directors, the people who sit in Collins Street - to create a funding policy framework that outlines the expectations on us - whether it be the regional office or this year’s Government appropriation and what it is expected that will achieve, how it will be spent, the way we may go about that, and so on. So some clearer sense of some of those
policy frameworks, guidelines and timetables would help us implement them - some of those purchasing or funding tools.  

The Department advised, in its first submission, that in 2000-2001 the ‘one agreement per provider’ rule for service providers operating across multiple Department of Human Services regions will be changed to give providers the option of entering into separate service agreements with each region. The Department’s second submission stated that it will also offer service providers operating across regions the choice of negotiating directly with Head Office.  

9.3.6 Legal status of service agreements

In 1994, the Victorian Auditor-General reported on grants and subsidies to non-government organisations. With respect to the (then) Department of Health and Community Services, the Auditor-General stated that:

With significant public funding distributed in the form of grants and subsidies, it is essential that service requirements are clearly stated and understood by both the Department and the NGOs, and that there is a mechanism to ensure compliance by both parties. A method of achieving this is through the use of legally binding agreements.

The report noted that the Department used legally binding agreements in the case of intellectual disability service providers, but had historically not adopted legally binding service agreements across other programs due to:

- the difficulty in establishing NGO compliance with some agreements due to the subjective nature of the service requirements;

---

432 Mr A Stripp, Regional Director, Southern Metropolitan Office, Department of Human Services, transcript of evidence, 20 November 2000, p. 412
433 Department of Human Services, submission no. 156, p. 41
434 Department of Human Services, submission no. 161, p. 23
435 Victorian Auditor-General, 1994, Special Report No. 30: Grants and Subsidies to Non-Government Organisations, p. 62
436 Ibid, p. 62
a reluctance on the part of the Department to proceed with litigation against NGOs under any circumstances; and

the Department’s belief that the existence of appropriate controls over funding would eliminate the need for legally binding contracts.

The Auditor-General recommended that:

It is essential that adequate controls exist to safeguard public moneys disbursed through grants and subsidies. As part of this process, the introduction of legally binding arrangements for major programs would provide the Department, the public and NGOs with an assurance that in the event of a dispute between parties to the agreement, there is a formal mechanism to ensure the contract terms and conditions are met. While legally binding arrangements would minimise the risks associated with non-performance, they should not automatically lead to legal proceedings and such action would obviously only be a last resort where irreconcilable differences existed between the parties.  

The Department responded to the Auditor-General’s report by noting that poor performance by service providers would be detected by regionally based program managers thereby resulting in funding adjustments, including defunding. The Department concluded that it did not regard legally binding service agreements as appropriate in programs (other than intellectual disability services) as there were no perceived advantages and a likelihood of increased legal costs.

However, in the Service Agreement Information Kit for Agencies 2000-2001, the Department of Human Services defines a service agreement as a legal contract between the Department and another legal entity. Likewise, the Department’s Service Agreement Manual states that the signing by both parties of a service agreement...
agreement is the formal acceptance of the terms and conditions of the services to be purchased.\textsuperscript{440} Furthermore, the agreement is legally binding and constitutes the basis on which service delivery is agreed and monitored.

Yet the evidence provided by the Department’s Loddon-Mallee Regional Office indicates that regional managers are not always alerted to problems regarding a provider through performance indicators and the agreements themselves, despite the legal language used, as the agreements are not enforceable:

\ldots [the service agreement document] does not have a lot of teeth and does not provide us with a tool to enforce contractual arrangements with the agencies. We had an episode 12 to 18 months ago where a very small disability agency was not performing. There were many complaints from the consumers and carers, and the staff working in the agency alerted us to a whole range of issues. However, when it came to our working through the issues \ldots we were not able to use the service agreement process to defund the agency, because legally it would not stand up.\textsuperscript{441}

The Committee has received conflicting advice on the legal status of Department of Human Services service agreements from providers and other experts. Phillips Fox and Casemix Consulting in conducting the 1999 Health Services Policy Review for the Department, stated that:

\ldots it is not clear on the face of the section [section 26 of the Health Services Act] whether a health service agreement is legally binding or not.\textsuperscript{442}

In contrast, Mr M. Cooke, a Solicitor with Freehills, advised the Committee that:

\textsuperscript{440} Department of Human Services 2000, \textit{Service Agreement Manual: Business and Systems Processes}, section 2.1, p. 6
\textsuperscript{441} Ms J Snell, Manager, Partnerships and Service Planning, Department of Human Services, Loddon-Mallee Regional Office, transcript of evidence, 19 September 2000, p. 35
\textsuperscript{442} Phillips Fox and Casemix Consulting, for Department of Human Services, March 1999, \textit{Health Services Policy Review: Discussion Paper}, p. 15
[the service agreement document] very clearly is or is intended to be [legally binding] and should be. Consideration flows from both parties to the agreement. Both parties almost invariably rely on the contractual obligations of the other in their third-party dealings, and the language of the agreement is very much in terms of mutual obligation and remedy for breach.\textsuperscript{443}

Service providers advised the Committee that they were uncertain of the legal status of service agreements. The Victorian Council of Social Service highlighted a number of issues:

Are they enforceable contracts or are they agreements between consenting parties? Are they ever expected to be challenged in the courts or are they only outlined expectations? Those things are unclear.\textsuperscript{444}

Further, service providers advised that due to service agreements lacking meaningful content, there was reliance by both parties on ‘tacit agreement’, as the experience of Cobaw Community Health Services illustrates:

For most of the programs the parameters are set by Head Office, which is fair enough, but I do not think they [regional departmental offices] have anywhere near sufficient autonomy to adapt those parameters to local situations. We are fully aware of regional staff who acknowledge why a particular model or structure is not applicable in our situation, but they will say there is nothing they can do about that. So we sign off on it [the service agreement] and they [the regional departmental office] say, ‘But we won’t hold you to that’, and neither do we. There is a lot of tacit agreement.\textsuperscript{445}

The implications for funding and services of unsigned service agreements are also a concern, as the Victorian Auditor-General stated in 1997, in the context of unsigned health service agreements:

\textsuperscript{443} Mr M Cooke, Solicitor, Freehills, transcript of evidence, 26 September 2000, p. 151
\textsuperscript{444} Mr A McCallum, President, Victorian Council of Social Service, transcript of evidence, 24 August 2000, p. 12
\textsuperscript{445} Mr A Taylor, Chief Executive Officer, Cobaw Community Health Service, transcript of evidence, 19 September 2000, p. 26
It is of concern that, in the event of a dispute arising between the Department and a hospital regarding funding, penalties and bonuses, the absence of a formal agreement detailing the rights, obligations and liabilities of the respective parties could result in either party suffering financial loss.\footnote{446 \textit{Victorian Auditor-General's Office, May 1997, Report on Ministerial Portfolios}, p. 70}

This issue remains unresolved, as indicated by the Department:

Although ‘roll-over’ funding continues to be provided [by the Department], the nature of the accountability for this in the absence of a signed agreement is unclear.\footnote{447 \textit{Department of Human Services, submission no. 161}, p. 22}

The Department of Human Services service agreement dispute resolution process will be discussed in section 9.4.3.

\subsection*{9.3.7 Discussion and recommendations}

The evidence provided by both the Department of Human Services and service providers identified several benefits associated with the reintroduction of multi-year service agreements. The Committee also believes that any barriers to the introduction of multi-year service agreements, for example, those relating to Parliamentary Appropriations, can be readily overcome.

Under current multi-year agreements, schedules 2, 3 and 4 of the agreements must be reviewed and re-issued annually.\footnote{448 \textit{Department of Human Services 2000, Service Agreement Manual: Business and Systems Processes}, section 2.3, pp. 18-19} The Committee considers that such fundamental aspects of the multi-year service agreements, for example funding, should not require annual negotiation between the Department and service provider unless there is a significant change in circumstances; as such renegotiation defeats the purpose and spirit of multi-year agreements.

Further, the Manager of Partnerships and Service Planning from the Loddon-Mallee Regional Office indicated that work in the

Department to enable the reintroduction of three-year service agreements was underway:

A host of things need to be streamlined to make it work properly before we go onto the three-year cycle. Different programs have different bed day rates. The work has already started. For instance, sub-acute has moved from aged, community and mental health division into the acute division, this enables the same bed day rates to be paid for the same activity. Eventually we will reach a point where the agreements can be rolled into three-year agreements and then varied on an annual basis for new money.449

Accordingly, the Committee recommends that:

**Recommendation 9.5:**

(a) The Department of Human Services service agreements should be for three years; and

(b) Where special conditions exist, this timeframe can be varied where there is agreement between service providers and the Department.

Fundamental aspects of the multi-year service agreements, for example service plans, should not be subject to annual renegotiation between the Department and service provider.

Delays in the signing-off of service agreements create significant difficulties for service providers and subsequently their clients. Nevertheless, the Committee commends the Department for its proposed measures to improve the timely signing off of service agreements. However, the Committee is concerned that the proposed measures will not ensure that service agreements are signed off prior to the commencement of the financial year.

449 Ms J Snell, Manager, Partnerships and Service Planning, Department of Human Services, Loddon-Mallee Regional Office, transcript of evidence, 19 September 2000, p. 36
Given that there is certainty regarding over 90 per cent of the Department’s Budget for each year, the Committee is of the view that the timely signing-off of service agreements is readily achievable and equates to sound business practice.

In addition, the integrity of the Department’s service agreement framework is at issue, as the Manager of Partnerships and Service Planning from the Loddon-Mallee Regional Office advised:

I want to say that we lose credibility with the providers when our service agreements for a financial year are not signed up until halfway through that financial year. I cannot emphasise that enough. In the new partnership environment, it is very important for the department to remain credible with the providers.450

Accordingly, the Committee recommends that:

**Recommendation 9.6:**

The Department of Human Services introduce business practices that will ensure service agreements are signed off with providers prior to the commencement of the financial year to which the agreements relate.

The Committee notes that the Department’s first submission pointed out that:

The Community Services policy states [that] ... Labor will provide for collaborative negotiation of service agreements.451

Several providers advised that they have detected a change in the way the Department relates to them over the last year or so, but have not experienced any changes regarding their experience of service agreements.452

---

450 Ibid, p. 37
451 Department of Human Services, submission no. 156, p. 4
452 For example refer to Mr D Murray, Policy Director; and Mr R Cavanaugh, Finance and Administration, Jesuit Social Services, transcript of evidence, 6 December 2000, p. 440
The Council of Intellectual Disability Agencies argued that in order for a collaborative approach to be put into practice, there needs to be greater flexibility in the service agreement negotiation and service planning processes:

... we [have] this great managerial approach that we have had for about the last 20 years now, and ... it is a really different approach. It is an approach that inhibits the development of person centred solutions and approaches because if you have got very tight specification of program outcomes, then you are more or less mandating specific service types and program types, rather than saying how you are going to meet the needs for these people.\footnote{Ms S Jackson, Executive Officer, Council of Intellectual Disability Services, transcript of evidence, 8 November 2000, p. 369}

Accordingly, the Committee recommends that:

**Recommendation 9.7:**

The Department of Human Services revise its current service agreement negotiation process to provide for the genuine exchange and discussion of views between parties.

**Recommendation 9.8:**

The Department of Human Services outline the scope and nature of the revised service agreement negotiation processes with service providers in the next edition of the Service Agreement Information Kit for Agencies.

The Committee commends the Department for introducing measures to address the concerns providers have regarding variations to service agreements. The Committee trusts that such measures will ensure the timely payment of variations to providers. However, it is unclear from the evidence given by the
Department how the issues regarding the timeliness of standard payments will be rectified.

Both Barwon Health and the Bendigo Health Care Group advised the Committee of the benefits of the cash flow statement issued by the acute health program. Bendigo Health Care Group stated that:

The acute program has an excellent payment advice reporting system. A bimonthly ‘live’ cash flow report is received that indicates each funding line, how much the stream is funded for the full year, the amount payable to the organisation for the next two week period and the amount still due to be paid for the remaining year. This is directly matched back to the bank statement and the health service agreement. Very little time is required to reconcile the account. There are also minimal wrap ups after year end.454

The Bendigo Health Care Group suggested to the Committee that the following initiatives be taken to improve the current arrangements:455

- the Department of Human Services centralise the administration, payment and advice of all program funding through one finance area that can provide online information to hospitals regarding the current status of their payments;

- the acute cash flow advice currently being used should be adopted in the development of a new payment process that incorporates all programs linked to health service agreements; and

- the lead document should be a ‘live’ health service agreement that indicates the current funding for the organisation and that any adjustments to the health service agreement should be supported by a valid variation and forwarded through the chief executive officer. (According to the Bendigo Health Care Group, many areas of the Department of Human Services do not

---

454 Bendigo Health Care Group, submission no. 77, p. 3
455 Ibid, pp. 12-13

235
issue variations to the service agreement and cheques are received from various sources of funding that are addressed to people in the organisation other than the CEO or finance department, creating confusion and loss of control).

Accordingly, the Committee recommends that:

**Recommendation 9.9:**

The Department of Human Services develop and implement business practices that ensure payments to service providers are made in accordance with the provisions contained in the service agreements.

**Recommendation 9.10:**

The Department of Human Services adapt the payment advice reporting system of the acute program for other programs.

The Committee commends the Department for allowing providers operating across more than one region, the option of negotiating directly with the Department’s Head Office or having separate service agreements with the regions. However, the Committee considers that the issues raised by providers regarding the mandate and responsibility of the Department’s Regional Offices remain unresolved.

Accordingly, the Committee recommends that:

**Recommendation 9.11:**

The Department of Human Services:

(a) either strengthen and broaden the mandate of its Regional Offices regarding service agreements (ensuring they have the authority to negotiate service agreements directly with service providers) or
centralise service agreement functions; and

(b) clarify the operational relationship between Department of Human Services’ Head and Regional Offices, and advise service providers accordingly.

9.4 Service agreement content

9.4.1 Format, language and content of service agreements

Many service providers advised that they experienced difficulties in understanding the language and format of service agreements. For example, Glen Eira City Council stated that:

The introduction of the summary sheet has been useful, however generally the formatting of the document is confusing and often agencies have difficulty following the allocations and requirements. Simplifying the format and providing more continuity in information required from year to year would be very helpful. Using language that is ‘everyday’ rather than ‘policy-speak’ would also ensure a more level playing field for small and culturally diverse agencies.456

Berry Street recommended that the service agreement document be simplified:

There are too many individual elements or service plans and some of these are split. It would be beneficial if all programs had a separate activity number or activities were completely combined. The combination of activities would need to be logical and advised at the beginning of the financial year to enable our organisational structures to be made consistent with the Department’s.457

456 Glen Eira City Council, submission no. 31, p. 2
457 Berry Street, submission no. 29, p. 4
Some providers argued that their agreement does not accurately reflect the services they deliver. For instance, South East Palliative Care advised that their service agreement states that the aim of the service is:

... to enable people who are disabled, frail, chronically ill and/or recovering from traumatic injury to achieve and retain functional independence.\(^{458}\)

However, the aim of palliative care can be described as:

... the provision of specialised health care of dying people aiming to maximise quality of life and assist families and carers during and after death.\(^{459}\)

Similarly, the Australian Red Cross Blood Service noted that no reference is made in their service agreement to its Regional Blood Program, yet the regional program represents 20 per cent of the blood collected and 10-15 per cent of the blood used in Victoria.\(^{460}\)

The Victorian Council of Social Service advised the Committee in March 2001 that the Department was undertaking a process to redevelop the service agreement document. However, VCOSS described the consultation process as follows:

Three people from the Department of Human Services responsible for the service agreements came to VCOSS for consultation with some of the peak bodies and tabled at that meeting a new draft service agreement and a reprint of the old service agreement, which would allow some comparison. I must say that the impression ... is that those officers were not fully acquainted with the range and content of prior debate over the funding and service agreement. They are all new to the area and on a couple of issues they had to go back to the Department seeking further clarification. I guess I came away from the meeting thinking they were overly optimistic about

\(^{458}\) South East Palliative Care, submission no. 47, p. 3
\(^{459}\) Ibid, p. 3
\(^{460}\) Australian Red Cross Blood Service, submission no. 118, p. 2
the approach that the Department’s legal department would have to their draft document, which I understood still had to be seen.\footnote{Ms M Webster, Vice-President, Victorian Council of Social Service and Member, Catholic Social Services, transcript of evidence, 6 March 2001, p. 537}

Further, VCOSS stated that whilst the revised document was much shorter and that brevity was to be encouraged, a number of issues had been deleted where there was previously conflict, for example with respect to the appeal and dispute settlement procedures. VCOSS indicated that:

\[\ldots\text{while there have been many gains in simplicity, the concern that I and a number of others had was: has potential for dispute just moved outside the funding and service agreement?}\]\footnote{Ibid, p. 537}

VCOSS also advised that further work was required on the proposed Schedule 1, particularly on the clauses relating to intellectual property, and privacy and confidentiality; but that the revised Schedule 4 had the potential to open up some relationship building work. VCOSS advised that it was unaware of the process by which the Department was consulting with service providers on the revised agreements, particularly in the regions.\footnote{Ibid, p. 539}

The Committee received a copy of the revised draft service agreement along with an earlier version to facilitate a comparison, as part of the Department’s second submission to the inquiry. However, the submission was received in April 2001, after the final hearings for the Inquiry were held. This effectively meant that the Committee was unable to obtain any formal feedback from service providers on the draft. It was also unclear to the Committee whether the draft it received was the same draft VCOSS commented on in March 2001. The Committee was therefore unable to determine whether the revised draft satisfactorily addresses the concerns of service providers.

The Department advised that further consultation with service providers and peak bodies would occur during 2001-2002 to

\[\ldots\]
evaluate the impact of ‘stage one’ changes to the service agreement document and further refine the agreement to meet service provider and departmental needs.\textsuperscript{464}

Accordingly, the Committee recommends that:

**Recommendation 9.12:**

To ensure the transparency of the process to redevelop Department of Human Services service agreement documentation, details of the consultation process and any relevant documentation be made available to service providers.

### 9.4.2 Standards and guidelines

Service agreements contain defined service standards and applicable departmental policies/guidelines with which providers are expected to comply. While such a requirement is appropriate, a common problem identified by service providers was that:

- many service standards and guidelines referred to in service agreements were input focused only, often outdated and did not specify outcomes;\textsuperscript{465}

- multiple guidelines were often identified for a single service activity leading to confusion as to what was expected from the respective service providers, which often placed different interpretations on the guidelines;\textsuperscript{466}

- the Department periodically changed its policies but often did not communicate the changes to service providers.\textsuperscript{467} In these circumstances, the service provider probably could not be held responsible for any consequences from failing to comply with a change in policy which was not referred to at the time of signing an

\textsuperscript{464} Department of Human Services, submission no. 161, p. 31
\textsuperscript{465} Victorian Council of Social Service, submission no. 133, p. 13
\textsuperscript{466} Ibid, p. 13
\textsuperscript{467} MacKillop Family Services, submission no. 121, p. 5
agreement and which was not subsequently communicated;

- providers found that current copies of policies identified in agreements were not available from the Department. For example, Indigo Shire Council advised the Committee of the difficulties they experienced in accessing supporting documentation:

  A fundamental issue relating to service agreements is the difficulty in accessing reference documents referred to them as guidelines. I believe any documents referred to in service agreements should be made available. I have had many experiences where those documents are not even in final form and yet they are being used as references. When you are signing off on a service agreement, it is very difficult to sign off on a reference that you have no knowledge of because you are unable to obtain it. I can give you a direct example: in primary care partnerships reference is made to an integrated disease management document and the Department of Human Services has not yet provided that document ... Because it is not completed; \(^\text{468}\) and

- the Department does not check for compliance with standards and guidelines. \(^\text{469}\)

Berry Street argued that the Department should both notify service providers of any new polices and guidelines and provide advice on their implications:

  I think they [the Department] has a responsibility not just to send it [the policy] out but to actually tell us what the differences are and what that means on the ground. You are talking about a sector that is incredibly stretched in terms of management resources and very variable in its capacity to translate policy into action ... \(^\text{470}\)

\(^{468}\) Ms R Tai, Manager, Community Services, Indigo Shire Council, transcript of evidence, 21 September 2000, p. 127

\(^{469}\) For example, refer to Manningham City Council, submission no. 17, p. 2

\(^{470}\) Ms S de Wolf, Chief Executive Officer, Berry Street, transcript of evidence, 11 October 2000, p. 219
The Department advised that service providers have informed them that the standards and guidelines that apply to each activity negotiated in service agreements are sometimes difficult to find and often out of date. The Department advised the Committee that it will introduce a substantial change in the service agreement format that draws together the quality standards and guidelines that apply to the service provider into a single list that will be easily accessible for providers and updated regularly. However, the following issues remain unclear to the Committee:

- the methods by which the standards and guidelines will be made more accessible to service providers;
- whether the standards and guidelines will be comprehensively reviewed to ensure a single set of guidelines is established for each service area, for example aged care services;
- the timetable and mechanisms for regular review of standards and guidelines;
- how the Department will improve communication with service providers regarding changes to and implementation of standards and guidelines; and
- the means by which the Department will monitor compliance with standards and guidelines.

Further, the Committee reviewed the original and revised service agreement documents that were included as part of the Department’s second submission. However, most of the standards and guidelines listed in the original document are not stated in the single list of the revised version. This raises questions about the status of the standards and guidelines outlined in the original document.

---

471 Department of Human Services, submission no. 161, p. 25
472 Department of Human Services, submission no. 161, attachments
Accordingly, the Committee recommends that:

**Recommendation 9.13:**

(a) The Department of Human Services, in consultation with service providers, review all its service standards and guidelines with a view to consolidating this information into single documents relevant to each type of service activity and to reflect best practice; and

(b) This information should be made available on the Department of Human Services’ website and in hard copy form, be regularly updated, in consultation with service providers, and monitored by the Department of Human Services to ensure compliance by providers.

**Recommendation 9.14:**

The Department of Human Services inform service providers of the release of any new or revised standards or guidelines cited in service agreements.

**Recommendation 9.15:**

The Department of Human Services, in consultation with providers, undertake ongoing research to identify emerging changes in practices, and incorporate such practices in the service guidelines, where appropriate, and in a timely manner.

**9.4.3 Dispute resolution**

Service agreements contain a clause to the effect that if a dispute between a service provider and the Department cannot be resolved after a dispute resolution process had been followed, then
ultimately the Secretary to the Department of Human Services is the final arbiter, with the power to terminate agreements. Some service providers and industry bodies criticised this arrangement as the Secretary cannot be regarded as an independent arbiter.

The Committee received evidence that it was common in commercial contracts for dispute resolution clauses to allow for an independent arbitrator or mediator to be nominated by an external body, such as the Law Institute of Victoria or Institute of Arbitrators. Mr Cooke, a Solicitor with Freehills, argued that:

> If anything [the nomination of an independent arbiter] would reduce the risk of disputes being decided in the courts, because as it is currently drafted there is a real risk that agencies would resort to court litigation rather than to a dispute resolution process because they may not have a lot of confidence in the objectivity of the outcome.

Accordingly, the Committee recommends that:

**Recommendation 9.16:**

The Government establish an independent mediation and arbitration process for dispute resolution of Department of Human Services service agreements.

**9.4.4 Intellectual property**

A number of service providers expressed concern at the intellectual property clauses contained within service agreements. VCOSS advised in July 2000 that clause 17 of the service agreement has the effect of vesting in the State copyright ownership rights greater than in the Commonwealth Copyright Act 1968, with all

---


474 For example refer to Victorian Council of Social Service, submission no. 133, p. 7; MacKillop Family Services, submission no. 121, p. 5; and Interchange Victoria, submission no. 79, p. 2

475 Mr M Cooke, Solicitor, Freehills, transcript of evidence, 26 September 2000, p. 151

476 Ibid, p. 151
material produced under a service agreement to vest in the State regardless of the amount of direction and control by the State in the creation of that material. VCOSS argued that the intellectual property provisions created uncertainty of ownership, for example:

- where a service provider has a number of funding sources, one of which is the State Government through a service agreement, copyright in all documents, reports and charts currently vests in the State. This ignores legitimate alternative claims for copyright which may be asserted by the author and/or other fund providers; and

- while the Agreement acknowledges that patentable processes are the property of the service provider, should the provider prepare documents relating to a process capable of being patented, copyright in those documents would appear to vest in the State.

The Victorian Healthcare Association (VHA) advised that concerns existed within the community health sector about service providers only being able to own intellectual property they could patent, but not material they could copyright. VHA argued that the basis of such a distinction was unclear and that the intellectual property clause was perceived as a disincentive to the development of innovative products and restricted providers’ ability to generate income.

Jesuit Social Services advised the Committee that:

The contracts largely say that intellectual property is vested in the Department, and where there are projects of training or development that is the case. We object vehemently to that. Where we develop various types of projects or training programs ... we have built it on 25 years of our hard work. Frankly we do not think it is ethical for anyone else to own that ...

---

477 Victorian Healthcare Association, submission no. 106, p. 6
478 Ibid, p. 6
479 Mr D Murray, Policy Director, Jesuit Social Services, transcript of evidence, 6 December 2000, p. 442
VCOSS suggested that the Department acknowledge that copyright vests in the State in material specifically funded under the service agreement and listed as a deliverable service under Schedule 3 of the agreement.\textsuperscript{480} VCOSS indicated that members of the Department’s negotiating team have not been philosophically opposed to such a position, but have taken the view that guidelines relating to Victorian Crown Copyright prevent such an amendment to the service agreement to occur.\textsuperscript{481}

The 2001-2002 Service Agreement Information Kit for Agencies advises that the intellectual property clause in Schedule 1 of service agreements was amended to be consistent with Government policy.\textsuperscript{482} Government policy is in accordance with the Copyright Act 1968, in that all material created under the direction or control of the State is vested in the State. Further, the document states that in 2000-2001 the Department of Justice prepared a Cabinet submission to change the nature of the State policy to reflect a more equitable position in the ownership of intellectual property for all parties. Until Cabinet makes a decision on this matter, the principles of the Copyright Act 1968 continue to apply.

The intellectual property clause of the revised service agreement provided to the Committee in April 2001 reads as follows:

\begin{itemize}
\item \textbf{15.1} The Intellectual Property of each party, which exists at the date of this Agreement, remains the property of that party.
\item \textbf{15.2} All Intellectual Property developed by either party under this Agreement vests in the State of Victoria in accordance with Part VII of the Copyright Act 1968 (Cth).
\item \textbf{15.3} On or prior to the Completion Date, the Agency will deliver to DHS immediately following a written request by DHS, all materials in which Intellectual Property vests in the State of
\end{itemize}

\textsuperscript{480} Victorian Council of Social Service, submission no. 133, p. 8
\textsuperscript{481} Ibid, p. 3
\textsuperscript{482} Department of Human Services, Service Agreement Information Kit for Agencies 2001-2002, p. 36
The Committee was unable to obtain any formal feedback from service providers on the draft due to the receipt of the second part of the Department's submission in April 2001, after the public hearings had been completed. The Committee was therefore unable to determine whether the revised draft satisfactorily addresses the concerns of service providers regarding intellectual property.

Accordingly, the Committee recommends that:

**Recommendation 9.17:**

The Government, as a matter of priority, resolve the issue of intellectual property rights for service providers.

### 9.4.5 Compliance with statutory requirements

Under Department of Human Services service agreements, service providers must comply with State and Commonwealth laws relating to a range of areas including fire protection, health standards and occupational health and safety. Service providers must indemnify themselves against legal liability for personal injury and/or property damage. The Department, through its Healthcare Agencies Insurance Program, covers service providers for a range of insurance relating to areas such as public liability, directors and officer liability, professional indemnity, medical malpractice and contract works. The Department also has a Non-Government Organisations Insurance Program.

While the above provisions are entirely appropriate and essential, the implementation and monitoring of these requirements is seen by service providers as of some concern. Monitoring by the

---

483 Department of Human Services, submission no. 161, attachments
484 Refer to Department of Human Services, Service Agreement Information Kit for Agencies 2001-2002, section 4
Department of the extent to which service providers complied with the statutory requirements was seen as limited, with the onus placed on service providers to monitor their own compliance. Despite the increasing need to put resources into these areas, including capital funds to upgrade fire safety and elimination of serious health and safety risks, service providers considered that these issues were not adequately addressed by the Department in service agreements or unit costing.\textsuperscript{485} The Victorian Healthcare Association advised the Committee that:

\begin{quote}
... agencies are required to comply with fire safety policies, yet agencies without capital resources are unable to implement these policies \textsuperscript{...486}
\end{quote}

Similarly, the Salvation Army advised that service agreements do not cover the cost of a number of requirements:

\begin{quote}
Funding to cover occupational health, safety and welfare needs is extremely inadequate. In community services, particularly in residential services, risks of injury to staff are very high but this is not reflected in either the funding of increased WorkCover premiums or in the provision of Occupational Health, Safety and Welfare programs for the funded sector. These issues are very pertinent in rural areas where sole worker positions are often funded or there is insufficient coverage to allow workers to go on outreach visits in pairs. \textsuperscript{487}
\end{quote}

This is of significant concern to the Committee. The Committee recognises that the primary responsibility for compliance with statutory requirements belongs to the respective service providers involved. However, if a partnership arrangement with the Department is to be met fully, the Committee recommends that:

\begin{footnotes}
485 For example refer to Joan’s Place, submission no. 74, p. 3, Eastern Access Community Health, submission no. 115, p. 3
486 Victorian Healthcare Association, submission no. 106, p. 5
487 Salvation Army, submission no. 113, pp. 5-6
\end{footnotes}
Recommendation 9.18:

The Department of Human Services establish whether all statutory requirements (eg. legislation relating to fire protection, health standards and occupational health and safety) are being met by service providers and, where necessary, provide support to ensure all requirements are met.
Key Findings:

10.1 A skilled and dedicated workforce is an essential component of providing quality human services.

10.2 Service providers advised that staff training requirements are not specified or adequately funded in service agreements.

10.3 Following a reduction in funding levels, many services to support high-risk clients in the community have been reduced, thereby exposing some employees working with such clients to safety issues.

10.4 Under the annual funding cycle, service providers find it difficult to offer job security to employees.

10.5 The Victorian Council of Social Service recommended that a community services industry plan be developed, along the lines of the plan being formulated in Queensland.

10.6 The Department of Human Services proposes to develop a Community Sector Support and Development Framework Industry Plan.
10.1 Introduction

The tenth term of reference required the Committee to determine how service agreements reflect the training, recruitment and retention of staff and organisational development needs of service providers in the community, health and welfare sectors.

It has been argued that there is a critical link between the quality of staff and the quality of human services delivered to clients.\(^{488}\) For example, a study conducted by RMIT University on the impact of competitive tendering on Local Government aged and disability service users found that clients believed they received better quality services from workers who were well trained and experienced.\(^{489}\) Conversely, staff turnover and lack of continuity of care were identified by clients as factors that detracted from the quality of services received.\(^{490}\)

Human resource issues affecting service providers operating in rural and regional Victoria are discussed in Chapter 11.

10.2 Key issues identified by service providers

Service providers identified a number of human resource and organisational development issues. For example:

One of our donors recently described welfare as the ‘black market of employment’ meaning that workers are paid minimal rates to engage in highly specialised work and for which the Government provides much reduced outlay.\(^{491}\)

The minimal wage offered to direct care staff is considered by many to be both insulting and demeaning, not only to them, but also those to whom they provide care. The poor wages reinforce the message,

\(^{488}\) For example refer to Contracting Care: The impact of competitive tendering on Victorian local government aged and disability service users, RMIT University School of Management, January 1999, p. 19
\(^{489}\) Ibid, p. 20
\(^{490}\) Ibid, p. 20
\(^{491}\) Centacare Catholic Family Services, submission no. 46, p. 1
that unfortunately often predominates in the community, which is
that people with disabilities, the frail and elderly, and those that rely
on others for support in their everyday lives, are not valued.\footnote{Southern Metropolitan Regional Disability Respite Reference Network, submission no. 50, p. 6}

The concerns of service providers relate to the following five areas:

10.2.1 Department of Human Services’ funding and the
recruitment and retention of service provider staff

As a result of the current level of funding provided for service
provider staff, several issues relating to the recruitment and
retention of staff were raised in submissions.

The City of Kingston pointed out that the Department expected
service providers to engage highly skilled employees and provide
them with on-going training, but did not match that expectation
with adequate resources.\footnote{City of Kingston, submission no. 102, p. 2}

Centacare Catholic Family Services advised that salaries were once
pegged to an award in Victoria, however they currently do not
appear to be benchmarked against the interim Federal Social and
Community Services (SACS) Award and so most community
service organisations pay staff minimal wages to fit within the
funding provided.\footnote{Centacare Catholic Family Services, submission no. 46, p. 1}

Wesley Central Mission advised the Committee that service
agreements are based on the appropriate award yet service
providers find it difficult to recruit staff with many younger staff
preferring to work on a casual basis through employment
agencies, as they can receive better pay.\footnote{Wesley Central Mission, submission no. 117, p. 8}

Service providers also argued that there are significant delays in
increases to awards and matching increases in funding by the
Department. The Kyabram Community and Learning Centre
stated that it sought advice from the Department in May 1999

\footnotesize\textsuperscript{492} Southern Metropolitan Regional Disability Respite Reference Network, submission no. 50, p. 6
\footnotesize\textsuperscript{493} City of Kingston, submission no. 102, p. 2
\footnotesize\textsuperscript{494} Centacare Catholic Family Services, submission no. 46, p. 1
\footnotesize\textsuperscript{495} Wesley Central Mission, submission no. 117, p. 8
regarding the impact of a change to the SACS Award on funding but did not receive a definitive response until June 2000 – 12 months after the award changes had taken effect.\textsuperscript{496}

Likewise, a study by the Children’s Welfare Association of Victoria (CWAV) showed that award rates have moved upwards during 1998-2000 an average between 1.6 and 5 per cent per annum. During this period, the organisations in CWAV’s study group reported an average adjustment in Department of Human Services funding allocations of between 1.7 and 3 per cent.\textsuperscript{497}

Service providers also advised that there was a gap between the cost and funding of staff. For instance, Macedon Ranges Shire Council reported that with respect to Home and Community Care services:

\begin{quote}
We might be paying staff a salary of $30,000, but by the time we add on workers compensation, superannuation, leave entitlements and all the rest, we are looking at between 20 to 35 per cent in addition to the salary. Often the funding does not recognise those costs.\textsuperscript{498}
\end{quote}

Likewise, Zena Collective argued that:

\begin{quote}
This organisation has a commitment to pay staff at the relevant Award rate according to their qualifications and/or experience, but at current funding levels, incremental increases, which are required to be paid, are now placing the organisation into a projected deficit.\textsuperscript{499}
\end{quote}

The discrepancies in salary levels of employees performing similar jobs and responsibilities in the sector and compared with the Department of Human Services were identified by Centacare Family Services as an important issue, with ramifications for attracting and retaining staff for non-government organisations:

\textsuperscript{496} Kyabram Community and Learning Centre, submission no. 124, p. 2  
\textsuperscript{497} CWAV, 2000, \textit{Youth and Family Services Community Service Organisation Industry Viability Project}, p. 11  
\textsuperscript{498} Ms A McLennan, Manager, Community Services, Macedon Ranges Shire Council, transcript of evidence, 19 September 2000, p. 13  
\textsuperscript{499} Zena Collective Inc, submission no. 72, p. 4
A simple example is that our Adoption Services personnel are paid approximately 11 per cent less than the equivalent personnel in Department of Human Services Adoption units. Such pay differentials between sectors for similar (or identical) work depletes morale in the community sector workers and creates intolerable pressure on management of agencies to match salary levels.\textsuperscript{500}

The factors discussed above and the short duration of service agreements have created difficulties for staff retention, as UnitingCare Connections advised:

The ability to retain staff was previously a feature of community service organisations, but staff mobility has increased because of the short term nature of appointments.\textsuperscript{501}

This issue is further discussed in the sections below.

\subsection{10.2.2 Staff training}

Many service providers advised that staff training requirements are not specified nor adequately funded in service agreements. For example Eastern Access Community Health stated that:

Training and development ... [is] not addressed at all in the Funding and Service Agreement process ... As we have progressively increased our funding/budget allocation in such areas as training, supervision, access to debriefing and management/staff development this has squeezed the overall organisational budget to the point of non-sustainability.\textsuperscript{502}

Further, the location of training programs and the costs associated with replacement staff and travelling were cited as barriers to employees attending training sessions. As a result, employees are either prevented from attending training and staff development programs, or forced to attend training sessions or departmental

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{500} Centacare Catholic Family Services, submission no. 46, p. 1
\item \textsuperscript{501} UnitingCare Connections, submission no. 28, p. 4
\item \textsuperscript{502} Eastern Access Community Health, submission no. 115, p. 5
\end{itemize}
\end{footnotesize}
forums outside their normal hours of employment. Portland and District Community Health Centre has found that:

Organisational and professional development is difficult to maintain for less than 5 per cent of salaries and wages, given most staff development opportunities are in the city requiring the cost of transport, accommodation and preferably some backup staffing hours.

Further, the lack of resources to engage replacement staff is felt keenly in smaller organisations where the demands of direct service often result in the developmental needs of the workers being accorded low priority. Zena Collective stated that:

... workers are sometimes unable to attend scheduled training sessions due to a crisis occurring and having insufficient funds to employ relief workers.

10.2.3 Staff security

As a result of cuts to funding levels in the past, many services to support high-risk clients in the community have been reduced, thereby exposing employees working with such clients to safety issues. For example, the Melbourne Citymission stated that greater expectations on employees to perform duties without adequate support has led to situations where their employees have been physically and sexually assaulted:

We have a range of people in our disability services. Many of them are people who 10 years ago would have been in institutions like Coolaroo. We have pyromaniacs, sex offenders and a whole range of complex people with challenging behaviours. Sadly, the previous government reduced a whole range of funding to those services that was necessary to maintain them in the community.

In recent years, we have had staff physically and sexually assaulted. A whole range of issues have arisen in community settings because the resources which were originally provided when

---

503 Eastern Volunteer Resource Centre, submission no. 44, p. 3
504 Portland and District Community Health Centre Inc, submission no. 54, p. 2
505 Zena Collective Inc, submission no. 72, p. 4
institutionalisation came in and which were designed to support people in communities have been withdrawn ... There is a greater expectation on our staff to perform at a certain level with the necessary skill, but the resources are not available. That is a major issue which the service agreements do not address at all.

In terms of the difficulty and complexity of cases I do not believe the duty of care issue is acknowledged or addressed in the service agreement to the extent to which it needs to be to protect workers, agencies and government. Why? Because, it would cost a lot of money.\textsuperscript{506}

This is an area of great concern to the Committee.

\textbf{10.2.4 Duration and delayed signing of service agreements}

The 12-month duration of service agreements and the delays in signing agreements have also created human resource problems for community, health and welfare providers. Under the annual funding cycle, organisations find it difficult to offer job security to employees. The short-term nature of appointments has reportedly increased staff turnover rates and has had a negative impact on the consistency of services delivered to clients.\textsuperscript{507} Similarly, Kyabram Community and Learning Centre advised the Committee that:

\begin{quote}
... sometimes it is difficult to get qualified staff in the field - we are looking at family counselling and psychology, sociology, social work and those sorts of backgrounds - in a country setting and it is difficult for us to hold staff and offer people any kind of career path or any opportunities for the future when we have something like 6 to 12 months funding. We have lost staff because of that. They can see there is a few months funding available and they choose to take other options.\textsuperscript{508}
\end{quote}

\textsuperscript{506} Reverend R Cleary, Chief Executive Officer, Melbourne Citymission, transcript of evidence, 11 October 2000, p. 246

\textsuperscript{507} UnitingCare Connections, submission no. 28, p. 4

\textsuperscript{508} Ms M Atkins, Chairperson, Kyabram Community and Learning Centre, transcript of evidence, 20 September 2000, p. 70

257
The annual process also means that employees are sometimes redirected from their normal duties to attend to administrative tasks such as applying/reapplying for funding. Further, the 12-month duration and late signing of service agreements creates problems for smaller organisations. For example, UnitingCare Community Options advised that:

A time limited tender has the effect of ensuring that staff need to be appointed on a time limited contract. The shorter the contract, the less committed and stable the workforce is likely to be. Larger agencies are able to take a risk when renting or leasing property to provide accommodation for staff on a limited contract, however, for smaller agencies, the risk is too great.509

10.2.5 Organisational development needs

VCOSS suggested that a community services industry plan be developed, along the lines of the plan currently being formulated in Queensland.510 An industry plan has been described in the Queensland community services context as follows:

Industry plans establish long-term goals and objectives for an industry. They set out strategic directions for that industry and identify its needs in order to facilitate development and growth. Industry plans anticipate future challenges, strengthen an industry’s capacity to manage uncertainty and increase the ability of industries to embrace new opportunities.

An effective industry plan has the following characteristics:

- There is genuine collaboration between government and non-government organisations;
- Planning focuses on benefits to society or to the whole industry rather than on gains that might flow to individuals or select organisations; and

509 UnitingCare Community Options, submission no. 48, p. 8
510 Victorian Council of Social Service, submission no. 133, p. 22
The industry is able to agree on common objectives and broad strategic directions, and there is co-operation in putting these plans into action.  

VCOSS indicated that the publication – Welfare as an Industry: A Study of Community Services in Victoria in 1992 presented important information on the nature of the community services industry, yet the next step of developing an industry plan did not occur. VCOSS advised that some of the most significant changes to service delivery attempted during the previous Government’s term of office were devised and implemented without reference to an understanding of the role, place and structure of the non-government sector. As a result, the mismatch of the Department’s service reforms to the service system was evident when implementation occurred.

VCOSS believes that the formulation of an industry plan, developed in the context of a partnership framework, would create a number of benefits including:

- greater certainty for service providers with the adoption of long-term strategies;
- the ability to be flexible and innovative to better meet community needs;
- the sharing of common and mutual goals to enable and encourage co-operation between different providers within the sector; and
- coordination of activities leading to greater efficiencies.

In Queensland, five elements of a community services industry plan have been identified that require attention:

---

511 Department of the Premier and Cabinet (Queensland), September 1999, Strategic directions: Investing in Queensland’s community services, Consultation Paper, p. 18
512 Community Services Victoria, 1992, Welfare as an Industry: A Study of Community Services in Victoria
513 Victorian Council of Social Service, submission no. 133, p. 22
514 Ibid, p. 22
515 Department of the Premier and Cabinet (Queensland), September 1999, Strategic directions: Investing in Queensland’s community services, Consultation Paper, pp. 19-26
• **enhancement of the industry’s structure and development of a relevant institutional framework:** including the development of institutions to support service providers and examining the most beneficial mix of small, medium and large organisations within the industry, recognising that one of the strengths of the industry is its diversity;

• **promotion of good practice and service innovation:** by encouraging communication and interaction between all organisations within the sector regarding new and improved models of service;

• **infrastructure and technology:** industry plans develop strategies to ensure that organisations have access to up-to-date information and communication technology and strengthen links between research institutions and service delivery organisations to increase the capacity of service delivery organisations to conduct in-house research;

• **human resources and industrial relations:** including a strategy for training and development. Industry planning for community services would link the needs of the industry to training and education institutions and create opportunities for professional and career development. Industry planning would also develop strategies to provide incentives for paid and volunteer workers to develop new skills and participate in training opportunities; and

• **financial investment:** the industry plan will improve the way in which funds are administered and examine the feasibility of developing alternative sources of income, other than the Government.

The Committee understands that the industry plan will be submitted to Cabinet in May or June 2002.\(^{516}\)

---

\(^{516}\) Department of Families (Queensland), March 2002, Community Services Strategy, Community Services Industry Plan
10.3 Measures adopted by the Department of Human Services to meet the human resource and development needs of service providers

The Department of Human Services advised in its submissions that the Government recognises the fundamental importance of maintaining a skilled and dedicated workforce and that it supports the training and development needs of service providers through:

- training and staff development costs forming part of the corporate overhead component of unit prices;
- allowing for a number of staff days each year to be applied to training and development activities in the determination of staffing profiles;
- training and development grants paid to hospitals to recognise the additional costs of those hospitals with teaching and training activities;
- funding specified university positions to develop courses and offer training to providers; and
- the collaborative development, with TAFE colleges and service sector representatives, of specific training courses to be offered by TAFE colleges.

However, the Department also stated that determining whether funding provided in unit prices for training is adequate is complicated by the difficulty of determining an appropriate benchmark, since this will vary significantly across service types. Additional funds were allocated in 2000-2001 to the development of community based health centre staff and the recruitment and retention of nurses.

The Department's second submission reiterated that it recognises the importance of a quality, viable and efficient community sector

---

517 Department of Human Services, submission no. 156, p. 49
518 Ibid, p. 50
519 Ibid, p. 50
infrastructure. The Department advised that its quality framework encompasses many aspects including provision to ensure recruitment and training of appropriately skilled staff; accreditation and benchmarking. The Department also highlighted the connection between funding and human resource and development needs of service providers:

The adequacy of funding levels must take into account the community sector’s infrastructure, such as administration overheads, information technology, human resources management, occupational health and safety and training and development. Many community sector agencies lack the infrastructure to adequately provide these essential supports.

Finally, the Department stated that the Government proposes to work with the community sector to develop a Community Sector Support and Development Framework. The framework would encompass issues of service quality and the sustainability of the sector and address:

- service provider infrastructure including information technology, quality systems, recognition of overheads and capital;
- staffing issues, including training and development, industrial relations, occupational health and safety and staff exchanges between the Department of Human Services and service providers; and
- support for sound governance and sectoral infrastructure, including peak bodies.

The Committee has not had the opportunity to consider any details of the framework, for example, the status of the proposal, what input service providers have had in the development of the proposal, the timetable for the development of the framework, the resources committed to the framework, the scope of the

---

520 Department of Human Services, submission no. 161, p. 38
521 Ibid, p. 13
522 Ibid, p. 7
523 Ibid, p. 38
framework, whether a central co-ordinating body will be established and when it will be made operational.

The Committee commends the Department for proposing in April 2001 that a Community Sector Support and Development Framework be developed, along the lines of an industry plan. The Committee looks forward to reviewing further details of the proposal.

Accordingly, the Committee recommends that:

**Recommendation 10.1:**

As a matter of priority, the Department of Human Services, in consultation with service providers, develop a community services industry plan.

**Recommendation 10.2:**

The Department of Human Services review its business practices to ensure that service providers receive, as soon as possible, funding to cover increases in employment awards relating to State funded programs.

**Recommendation 10.3:**

The Department of Human Services review the adequacy of funding to service providers for the employment of staff. The review should consider all costs associated with the employment of staff.
Recommendation 10.4:

The Department of Human Services conduct an audit of the training and development needs of service provider staff, including the needs of small providers and those operating in rural and regional Victoria. The audit should be conducted as a component of the industry plan.
Key Findings:

11.1 Service providers have highlighted several problems with the current service delivery framework and its impact on rural and regional Victoria, including:

(a) the lack of appropriate rural weighting factors in Department of Human Services funding formulae;
(b) the lack of adequate infrastructure and support services in rural areas;
(c) the difficulties with staff recruitment and retention;
(d) the application of inappropriate service models;
(e) inequitable access to services; and
(f) issues with competitive tendering and its negative impact on rural areas.

11.2 There is no mechanism for the Department of Human Services to monitor where services are actually delivered by service providers in rural and regional Victoria.

11.3 The Department of Human Services provides funding loadings for some, but not all, community, health and welfare services delivered in rural and regional Victoria.

11.4 The Department of Human Services has committed to developing a Rural and Regional Human Services Strategy, with a final report scheduled to be delivered by the end of September 2001. However, at the time of preparation of this report, the strategy had not been finalised.
Key Findings (continued):

11.5 In 2001-2002, the Department of Human Services had 78 service agreements with Local Government, which represented around $146.7 million. Local Government also makes a significant financial contribution to human services in Victoria. For example, Local Government funds 50 per cent of Maternal and Child Health services.

11.6 Local Government expressed concerns about the following aspects of service agreements:

(a) single-year service agreements;
(b) the negotiation of agreements;
(c) the focus on targeted outputs rather than on outcomes for clients;
(d) lack of flexibility in service delivery;
(e) equity of access to services, and whether the emerging needs of the community are met;
(f) the nature and application of unit costing;
(g) training and recruitment provisions; and
(h) tendering and contract arrangements.

11.7 Local Government believes that the service agreement framework adopted by the Department of Human Services does not reflect the key responsibilities of Local Government and the detailed knowledge of community needs acquired through its activities.

11.8 Given the need for more integrated delivery of Local Government and Department of Human Services funded services, the Municipal Association of Victoria, in conjunction with the Department of Human Services, developed a Memorandum of Understanding for Maternal and Child Health services. The development of a similar agreement for services under the Home and Community Care program is in progress.
Key Findings (continued):

11.9 The Municipal Association of Victoria has called for the implementation of integrated local area planning, which would link cross-functional and program planning at a statewide level to geographic municipal planning for communities at the local level.

The first term of reference required the Committee to review the current framework for the delivery, management, funding and monitoring of community, health and welfare services in Victoria that are subject to DHS service agreements, and in particular, as they apply to rural and regional areas and to Local Government. This chapter, in two parts, examines the Department of Human Services service agreements and funding in the context of rural/regional Victoria and Local Government.

11.1 Rural and regional Victoria

11.1.1 Introduction

The population in rural and regional Victoria is scattered widely and is often located in areas distant from service providers. The isolation providers experience and distances that their staff must travel to provide services have led to concerns regarding access to and the availability of appropriate human services in rural and regional Victoria.

The Committee understands that providers operating in rural and regional Victoria share many of the concerns of providers operating in metropolitan Melbourne regarding Department of Human Services service agreements. These issues are discussed in detail elsewhere in this report. This chapter will examine the issues that are specifically related to the provision of human services in rural and regional Victoria.

Providers have highlighted several problems with the current service delivery framework and its impact on rural and regional Victoria, including:
- lack of appropriate rural weighting factors in Department of Human Services’ funding formulae;
- lack of adequate infrastructure and support services in rural areas;
- difficulties with staff recruitment and retention;
- the application of inappropriate service models;
- inequitable access to services; and
- issues regarding competitive tendering and its negative impact on rural areas.

Upper Murray Family Care advised the Committee that:

Service agreements are generally global, standard documents. Rather than area sensitive plans, there is no allowance for rural or regional characteristics, you could not ascertain by reading an agreement if the area concerned was rural or metropolitan.524

### 11.1.2 Funding formulae

The costs of delivering services in rural and regional communities and the weighting in Department of Human Services’ funding formulae for rural and regional factors were raised as concerns by service providers. The principal areas in which rural providers face higher costs were outlined by the Kyabram Community and Learning Centre:

The cost of service delivery is greater in the country and yet is not considered in service agreements and outcome expectations. The issues faced by rural centres are:

- professional development is more expensive, with respect to the time involved and travel costs;
- there is no time allowed in outcomes for time spent travelling to clients;
- the time required to travel to meetings with the Shire, Department, conferences and networking;

---

524 Upper Murray Family Care, submission no. 8, p. 1
most telephone calls are long-distance;
there is more time spent on information and referral for fewer services available locally;
there are fewer support services so more time is spent with individual clients; and
there is no public transport for workers or clients.525

The Bendigo Health Care Group (BHCG) provided an example of the costs faced by their organisation to provide a domiciliary-based allied health service across a sparsely populated rural region. The BHCG Rural Health Team staff spend between 20-25 per cent of their time travelling to a town or region and between the homes of clients. Collectively, the staff in the Rural Health Team travel approximately 250,000 kilometres every year. The team incurs travel costs including fuel, car maintenance, registration and vehicle change-overs that amount to approximately 8-10 per cent of the total HACC Rural Health Team grant.526

In addition to the cost of travel, service providers must also meet the capital costs associated with travel. One of the significant capital costs faced by rural providers is replacement of vehicles and ongoing maintenance. Kyabram and District Memorial Community Hospital advised that:

... we change the cars over every 40,000 kilometres, which is a large expense if it is done annually. Even with things such as travelling on rural roads, cracked windcreens and things such as that, the upkeep adds up ... I believe that is a big issue.527

11.1.3 Infrastructure and support services

Rural and regional service providers also incur costs associated with the need for additional infrastructure. Upper Murray Family Care stated that providing regional or sub-regional service

525 Kybram Community & Learning Centre Inc, submission no. 124, p.1
526 Bendigo Health Care Group, submission no. 77, p.8
527 Ms M Brockfield, Manager, Community Health Services, Kybram and District Memorial Community Hospital, transcript of evidence, 20 September 2000, p. 63
coverage requires more than one office location and that Department of Human Services funding does not take into account the set-up and administrative costs of multiple office locations.\textsuperscript{528} 

Some service providers argued that the Department should develop an appropriate weighting or rural equity factor to fund rural and regional service provision to take into account such additional costs created by distances travelled, increased fuel costs, higher vehicle maintenance and turnover of vehicles, and increased costs of communication. Golden Plains Shire Council supports this approach:

\ldots this issue could be overcome without complicating the current funding formula by the addition of rural weighting to the existing unit costs. The exact percentage would require further investigation. However, Council estimates that the disadvantage of the current unit costs is in the vicinity of 20 per cent compared to the previous input based funding model.\textsuperscript{529}

Some providers advised that the strict target definition for clients set by service agreements cannot be adhered to in rural areas due to a lack of resources. This is especially difficult in isolated rural communities. For instance, Wattle Human Services advised that:

\ldots in country areas, there is very often bending of the rules to accommodate people [who require services]. This is done because there is an ownership [of the issue] by the community and if there is a disability problem, it is believed it should be addressed by the agency in town. The results for people with disabilities are probably better.\textsuperscript{530}

11.1.4 Staff recruitment and retention

The difficulties associated with recruiting and retaining appropriately qualified and trained staff was identified as a concern of service providers operating in rural and regional

\textsuperscript{528} Upper Murray Family Care, submission no. 8, p.1
\textsuperscript{529} Golden Plains Shire Council, submission no. 13, p.1
\textsuperscript{530} Wattle Human Services Inc, submission no. 19, p. 1
Victoria. The short-term nature of service agreements has exacerbated this problem. East Gippsland Shire Council stated in their submission that:

Attracting and retaining suitable staff is frequently a problem when the positions are only advertised for part-time positions offering a small number of hours.\(^{531}\)

Under the current service agreement framework, service providers are unable to offer incentives to staff to work in rural areas, resulting in staff viewing rural positions as temporary or 'stepping-stones' to an urban career path:

Because of the smaller populations in rural areas we find it very difficult to recruit home carers, partly because the salary is fairly low but also because we just do not have a range of choice. When we recruit, we like to retain our employees and train them because we regard them as an investment, but sometimes they can earn more on the dole, so it is very difficult to attract people. Every time we have a changeover of staff it increases our operational costs because of economies of scale. [Furthermore,] we do not have a cluster of 35,000 people right here whom we service, they are all over the place.\(^{532}\)

In the health services sector, attracting and retaining suitably qualified staff adds to the cost of service provision. This was illustrated by Wangaratta District Base Hospital which advised the Committee they paid, on an average, between 110 percent to 120 percent of the medical benefit schedule rates to attract suitably qualified doctors, when the relative payment average in Melbourne is around 85 to 90 percent of the schedule rates.\(^{533}\)

---

\(^{531}\) East Gippsland Shire Council, submission no. 108, p.1
\(^{532}\) Ms J Andrews, General Manager, Community and Culture, Shire of Campaspe, transcript of evidence, 20 September 2000, p. 86
\(^{533}\) Mr B Hansen, Management Accountant, Wangaratta District Base Hospital, transcript of evidence, 20 September 2000, p. 135
11.1.5 Service models and requirements

A number of rural and regional service providers advised the Committee that some service models and departmental requirements did not reflect their client base.

Woomelang and District Bush Nursing Centre stated that they were required by the Department of Human Services to develop a cultural plan despite non-English speaking people representing 0.02 per cent of the population in the catchment. 534

A Gippsland organisation provided the Committee with the following two examples which highlight the need to develop service models that are appropriate for rural clients:

A Melbourne-based agency was funded to deliver a drug and alcohol service for clients in the Latrobe Valley. It came down with a model of street work because in St Kilda or Fitzroy, the people using heroin are often on the streets. The agency put people onto the streets at night, but they could not find any clients - because, in country areas drugs and heroin are used not on the streets but in homes.

The second example is in the youth suicide area. A residential model was established so that young people at risk of self-harm or suicide could be accommodated in a 10-bed residential unit that covered the whole of Gippsland. The tender stated that the young people must retain contact with family, community and their school. The 10-bed residential unit was placed in Morwell. If you take a young person from Mallacoota or Wonthaggi and place him or her in Morwell, no connection would be maintained with family, community or school because of the distance involved. It may work well in Richmond, but not in Gippsland. 535

The Lockington and District Bush Nursing Centre receives Home and Community Care funding from the Department of Human Services. However, the Nurse Manager advised the Committee

534 Woomelang and District Bush Nursing Centre, submission no. 87, p. 1
535 Mr N Smith, Small Rural Health Group and Lakes Entrance Community Health Centre, transcript of evidence, 7 December 2000, p. 479
that the Department has problems categorising the work of the Centre:

Our service is a lot different from your standard home and community care service in as much as we are serving the whole community, not just the HACC focus group. A normal HACC funded service is for over 65 years, the disabled and so on. We do everything in the community from nit checks at the local school to looking after children who fall over. There is no doctor in town so our role changes greatly. I'm basically caretaker for the community.  

### 11.1.6 Access to services

All the issues discussed earlier in this chapter by health and community service organisations have an impact on the accessibility of services in rural and regional Victoria.

Non-government organisations advised the Committee that there is no mechanism for the Department to specify and monitor where services are actually delivered by service providers in rural and regional Victoria. Consequently:

A regional service may be funded to deliver 300 episodes of care across the region. The Department never monitors whether those 300 are delivered in the Latrobe Valley or Mallacoota, so even though theoretically they are meant to cover the whole region, they may only cover the Latrobe Valley and they have fulfilled their funding agreement. So the Wonthaggi and Mallacootas may not get one service. [The FASA] says regional, but there is no monitoring of where they are all delivered, whether it is two minutes outside your door or somewhere else.

East Gippsland Shire Council advised that under Department of Human Services service agreements, providers do not always

---

536 Mr C Jones, Nurse Manager, Lockington and District Bush Nursing Centre, transcript of evidence, 20 September 2000, p. 75

537 Mr N Smith, Small Rural Health Group and Lakes Entrance Community Health Centre, transcript of evidence, 7 December 2000, p. 478
deliver services to remote towns when there is demand for those services in regional centres.\textsuperscript{538}

Accordingly, the Committee recommends that:

\textbf{Recommendation 11.1:}

\begin{itemize}
\item[(a)] develop criteria for determining where services are to be delivered by service providers in rural and regional Victoria; and
\item[(b)] monitor the adequacy of the coverage of human services in rural and regional Victoria.
\end{itemize}

Providers also highlighted the fact that the current service funding and delivery framework does not take into account the costs that are shifted as a result of the lack of human services. For instance, Bendigo Health Care Group stated that the absence of an after-hours medical practitioner service in Bendigo has resulted in significant increased demand for Emergency Department Services.\textsuperscript{539}

\subsection*{11.1.7 Competitive tendering}

Providers identified a series of concerns regarding the negative impact of competitive tendering. The Disability Advocacy and Information Service in Wodonga stated that:

... servicing by ‘remote control’ by a single large organisation also raises issues about need being adequately met. The growth in metropolitan and/or statewide agencies or agencies from other regions across Victoria successfully tendering for programs in the Hume Region has created a further set of problems in recent years. Accountability, accessibility, worker supervision and full

\textsuperscript{538} East Gippsland Shire Council, submission no. 108, p.1
\textsuperscript{539} Bendigo Health Care Group, submission no. 77, p.6
understanding of the catchment group profile the agency is attempting to service are questioned ... 540

Upper Murray Family Care believes that tendering for human services is not an efficient or effective process:

It is not effective when services are awarded to outside service providers with no local service provision [experience]. This places in jeopardy local providers and the outside players have to go to the expense of establishing a base and drawing upon the local community for support. Should the new organisation depart the community after the end of the contract, the local community is left with nothing. 541

Service providers operating in rural and regional Victoria also raised similar issues regarding competitive tendering to those providers operating in Melbourne. For example, competitive tendering has resulted in provider staff working for below-award wages, 542 larger providers have won tenders and then employed smaller specialist providers to deliver the service, 543 and their staff must invest considerable time and resources in filling in tender forms. 544

Northern Disability Services advised that, on one occasion, the Department of Human Services had informed them that they wanted Northern Disability Services to tender:

We were not told we had to [tender], but it was indicated that if we were not prepared to tender, we were not doing the right thing ... the implication was 'If you are not showing enough interest to be prepared to tender for whatever comes up, we probably will not consider you for other things'. 545

---

540 Disability Advocacy and Information Service, Wodonga, submission no. 155, p.1
541 Upper Murray Family Care, submission no. 8, pp. 5-6
542 Ms A McLennan, Manager, Community Services, Macedon Ranges Shire Council, transcript of evidence, 19 September 2000, p. 17
543 Headway Gippsland, submission no. 68, p. 3
544 Ms M Atkins, Chairperson, Kyabram and Community Learning Centre, transcript of evidence, 20 September 2000, p. 70
545 Ms J H Black, Honorary President, Northern Disability Services, transcript of evidence, 20 September 2000, p. 92
The Department of Human Services provided the following information on how the funding process takes into account the cost of providing rural and regional services in Victoria:

**Exhibit 11.1: Department of Human Services’ funding of rural and regional services**

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Status</th>
</tr>
</thead>
</table>
| Acute Hospitals  | • in some cases, rural providers will incur additional costs in providing services to their communities;  
|                  | • unit funding for acute inpatients in small rural hospitals, regional hospitals and regional base hospitals is respectively, 3 per cent, 2 per cent and 1 per cent higher than their metropolitan counterparts; and  
|                  | • there are also rural specialist services grants and rural and isolated hospital grants.                                                                                                               |
| HACC             | • a rural isolation factor based on population density is used for the allocation of growth funds;  
|                  | • however, there is no differentiation in service prices between rural and metropolitan areas, since studies undertaken in 1995 and 1996 found that the cost differentials between rural and metropolitan areas were insufficient to warrant this. |
| Dental Health    | • service prices in rural and provincial areas have an extra 10 per cent loading above metropolitan regions.                                                                                           |

---

546 Department of Human Services, submission no. 156, p.49, submission no. 161, pp. 35-37
**Exhibit 11.1 (continued)**

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Status</th>
</tr>
</thead>
</table>
| Drug Treatment          | • resources are allocated based on a weighted population distribution formula that takes account of rural population density in addition to other factors; and  
                          | • unit prices for drug treatment services do not vary between rural and metropolitan-based services. (However, for supported accommodation, rural services are funded on the basis of 8 beds per service compared with 10 beds per service in metropolitan areas.) |
| Disability Services    | • an equity formula is used to distribute growth funds to the nine regions. Due to the lengthy duration of services to many program clients, the equity formula is not applied to existing funding. The weighting assigned to rural regions is 5 per cent, except where the region’s historical funding base is more than 120 per cent above its estimated population share of funding. |
| Protection and Placement| • resource allocation includes a rural weighting of an additional 3 per cent in funds allocated to the five rural regions of the Department over the past three years. |
| Pre-schools             | • to alleviate the unfairness that per capita funding may create in funding rural or remote rural pre-schools, payments are respectively 25 per cent and 85 per cent higher than the standard; and  
                          | • a travel allowance is provided to a small number of providers in rural areas where the teacher is obliged to travel between different pre-school locations. |
### Exhibit 11.1 (continued)

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maternal and Child Health</td>
<td>- The Department of Human Services funds maternal and child health services jointly with Local Government. The Department’s component of the funding formula has a weighting for rural areas based on catchment size, population density and isolation from health support services. The rural weighting addresses issues faced by nurses in rural areas including distance travelled, higher fuel bills, additional time spent in travelling and additional time spent with clients. For some rural municipalities, the rural weighting represents a significant proportion of the total funding allocation.</td>
</tr>
</tbody>
</table>

However, it is unclear from the Department’s submission how its funding for other community care services, mental health, public health, primary health, aged care and housing services accounts for additional costs incurred by service providers operating in rural and regional Victoria.

The Department advised that additional funding for services delivered in rural and regional Victoria does not always translate into increased unit costs:

... for example, Disability and HACC, additional funds are allocated to rural regions to recognise associated cost factors. However, pressure to maximise spending on services to clients means that unless the additional funds accompanying rurality are explicitly recognised in higher unit prices these funds have generally been applied to extra services, not higher costs. The Department recognises this problem and is taking steps to address it, including through the review of the HACC regional equity formula and the Rural and Regional Human Services Plan. Incorporated in that
Plan is a project to identify service profiles, funding formulae and advantage or disadvantage arising from location.\textsuperscript{547}

The proposed Department of Human Services' Rural and Regional Human Services Strategy is designed to guide the planning and provision of departmental funded services in rural and regional Victoria to 2005. The objectives of the Plan include:

- equitable distribution of resources across rural and regional Victoria;
- engaging communities in planning issues affecting rural and regional areas;
- encouraging flexible funding by Department of Human Services' program areas; and
- informing ongoing planning through generating consistent data about the level, type and quality of services provided in rural and regional Victoria.

Stage 1 of the Report of the Strategy is scheduled to be completed by March 2001 and the final report will be released by 30 September 2001.\textsuperscript{548} However, at the time of the preparation of this report, the strategy had not been finalised.

11.1.8 Planning, funding and delivery of community services in rural and regional Victoria

The Rural Agencies Group, comprising ten rural and regional community service providers, has raised a number of issues regarding the provision of human services in Victoria that reflect the evidence received by the Committee, including:\textsuperscript{549}

\begin{itemize}
  \item Letter, dated 3 October 2000, from Ms P Faulkner, Secretary, Department of Human Services, pp. 14-15
  \item Department of Human Services 2000, \textit{Stronger Citizens, Stronger Families, Stronger Communities}, p. 33
  \item Rural Agencies Group, \textit{Response to the New Partnerships in Community Care Discussion Paper from the Rural Agencies Group}, p. 5
\end{itemize}
• rural services must be resourced through fair and equitable funding with a rural loading factor to acknowledge the costs of service provision in rural Victoria and provide subsidies where appropriate;
• there needs to be increased flexibility in the way rural providers can use funds to respond to the needs of their community, rather than being restricted to categorical funding boundaries and limitations which do not meet their diverse communities and changing needs;
• the need to develop rural models of service delivery that respond to community needs, as opposed to prescriptive models and levels of service generated by the Department’s Head Office; and
• that competitive tendering has depleted providers’ human resources and impacted on their capacity to participate in multiple Government policy redevelopments.

The Rural Agencies Group also developed a series of principles and recommendations to guide the planning, funding and delivery of community services in regional Victoria. The group made a number of recommendations to the Carter Review, including:\footnote{Ibid; and Rural Agencies Group, submission to the Community Care Review, p. 7}

• that service planning and resource allocations be based on assessments of geographic disadvantage and social needs;
• that a rural reference group be established to provide ongoing advice to the Government on how rural community service issues can be addressed;
• that local consultative groups be re-established and engaged in the regional planning and service design and delivery processes;
• the importance and need for generalist workers in small communities, supplemented by specialist services in larger provincial towns be recognised; and
• a whole-of-government approach to addressing disadvantage in rural communities.

Accordingly, the Committee recommends that:

**Recommendation 11.2:**

As part of the development of the Rural and Regional Human Services Plan, the Department of Human Services:

(a) review the adequacy of current funding models for human services delivered in rural and regional Victoria and publish its findings;

(b) in consultation with non-government organisations, introduce mechanisms to ensure that human service models are appropriate for rural and regional communities;

(c) develop and publish a series of guidelines that identify where competitive tendering is an inappropriate funding model for services delivered in rural and regional Victoria; and

(d) introduce flexibility to the way rural and regional service providers can use funds to respond to the needs of their diverse communities, whilst ensuring accountability for those funds.

### 11.2 Local Government

#### 11.2.1 Introduction

The State’s 78 councils play a significant role in the planning, coordination, funding and delivery of services to the community. One of the most important activities of the Local Government
sector is the delivery of community, health and welfare services on behalf of the Department of Human Services. The delivery of these services, governed by an annual service agreement entered into by both parties, mainly encompasses Home and Community Care (HACC) and Maternal and Child Health services.

The Department of Human Services has 78 service agreements with Local Government in 2001-2002, with funding totalling approximately $146.7 million. The Committee also understands that Local Government makes a significant financial contribution to human services in Victoria. For example, Local Government funds 50 per cent of maternal and child health services in Victoria. Seven Eastern Metropolitan Region Local Governments that provide a diverse range of human services to 21 per cent of the Victorian population calculated that in the provision of these services they received approximately $16 million from the State Government, a further $23.3 million from the Commonwealth Government, with the Councils themselves contributing a combined $34 million (in 1997-1998).

11.2.2 Background to the delivery of human services by Local Government

The method by which Local Government delivers services has undergone considerable change in the last eight years with the implementation and subsequent abolition of compulsory competitive tendering.

The delivery of services by Local Government in the 1990s was heavily impacted on by the implementation of competition policy by the previous Government, resulting in the application of Compulsory Competitive Tendering (CCT) in the Local Government sector. CCT directed Victorian Local Government,

---

551 Ms F Hopkins, Social Policy Unit, Department of Human Services, personal communication, 15 April 2002
552 Ms C Hargreaves, Senior Policy Adviser, Municipal Association of Victoria; Ms C Blair, Director, Council Services, Bass Coast Shire Council; and Mr S Antonelli, Director, Community Programs, Banyule City Council, transcript of evidence, 11 October 2000, p. 234
553 Access Dialogue, March 2000, Eastern Region Councils Discussion Paper: HACC Output Based Purchasing, p. 4
through legislation, to market test its services by subjecting 50 per cent of operating expenditure to compulsory competitive tendering by 1996-1997.

The use of commercially competitive principles in the various service delivery arrangements of Local Government caused significant debate within the community, particularly in regional and rural areas of the State. The MAV in its submission to the Commonwealth Inquiry into the Competitive Tendering of Welfare Service Delivery stated that:

… there are both advantages and disadvantages resulting from the CCT process, this submission argues against the blanket application of commercial competitive principles in the area of human services … adequate consideration of the public interest test has not been taken into account, particularly in regard to social welfare and equity considerations, including community service obligations.554

This view is supported by the City of Manningham which stated that:

… the human services sector was torn apart by compulsory competitive tendering which pitted one service against another.555

In October 1999, the Bracks Government was elected with a Community Services Policy that rejected the use of market mechanisms in social policy environments.

The abolition of CCT in December 1999 resulted in the introduction of Best Value principles. The MAV indicated that the Local Government sector endorses the adoption of best value principles where the State funds, as distinct to purchases, human services in a partnership model which supports continuous improvement.556 Best Value principles require all councils to:

- consult with their community;

554 Letter accompanying submission by the Municipal Association of Victoria to the Federal Inquiry into Competitive Tendering of Welfare Service Delivery, 15 August 1997
555 Manningham City Council, submission no. 17, p. 4
556 Municipal Association of Victoria, submission no. 149, p. 2
Public Accounts and Estimates Committee

- develop quality and cost standards for all services;
- set performance outcomes; and
- report regularly to their community on the achievement of outcomes.

Councils must apply Best Value Principles to all of the services they provide by the end of 2005.

11.2.3 The current framework: service agreements between the Department of Human Services and Local Government

The relationship between the Department of Human Services and Local Government for the delivery of community, health and welfare services is formalised through service agreements. The background and format of service agreements has been discussed in earlier chapters of this report. However, the impact and adequacy of service agreements as they apply to the Local Government sector are discussed below.

(a) Use of single-year service agreements

Local Government shared the concerns of other service providers’ regarding the impact that 12-month service agreements have on the planning of human services (discussed in Chapter 9). This issue was highlighted in the submission from the MAV:

A three year service agreement would enable planning for service development, better program planning and program evaluation which could also be incorporated into service agreements. Three year contracts with quality performance indicators and a system of exception reporting could replace the current cumbersome system.557

(b) Negotiation and review

The Committee found that there is a significant level of Local Government concern about the timing and nature of the service

557 Municipal Association of Victoria, submission no. 149, p. 5

284
agreement negotiations. This is consistent with the issues raised by other service providers. For example, the submission from the City of Manningham stated that:

... pre-prepared service agreements are brought to our council well past the start of the year by Department of Human Services officers ... during the past four years no service agreement has been negotiated prior to the commencement of the financial year to which it refers ... in all cases, the service agreements have been signed at least six months into the financial year ... it appears as if the Department of Human Services is not interested in the service provided by our council as long as targets are met.558

Further, the existence of an effective and continual system of review is an important governance process and should be an integral element of the service agreement framework. Macedon Ranges Shire Council advised that apart from financial reporting, which contains no real qualitative assessment of services, there is limited review of their service agreement throughout the year by the Department.559

Accordingly, the Committee recommends that:

**Recommendation 11.3:**

The performance of Local Government service providers and the allocation of growth funding for Local Government be regularly reviewed.

(c) **A focus on outputs**

Local Government, like other service providers, does not believe that targets established within service agreements are adequate in terms of measuring the outcomes of services delivered. This view was emphasised by the Eastern Metropolitan Regional Councils in their submission:

---

558 Manningham City Council, submission no. 17, p. 1
559 For example, refer to Macedon Ranges Shire Council, submission no. 73, p. 2
... funding and service agreements have a strong focus on outputs rather than outcomes or processes ... it is difficult for the agency and for [the Department] to ascertain what is being funded, for what purpose, for how much and the standards and outcomes that are required.\textsuperscript{560}

In addition, Local Government believes that the establishment of current targets is a centrally driven administrative function with little acknowledgment of local conditions or issues. The Committee acknowledges that the use of common objectives is an important characteristic in the delivery of community, health and welfare services across the State. However, the development of more localised service targets would result in the service agreement being more applicable to the local area, and provide the Department with a clearer indication of the required level and direction of present and future services.

Accordingly, the Committee recommends that:

**Recommendation 11.4:**

The Department of Human Services, in conjunction with Local Government:

(a) review the adequacy and the methods used to develop service agreement targets with Local Government; and

(b) develop broad social indicators that link program areas and individual program outputs.

\textsuperscript{560} Eastern Metropolitan Region Local Government Authorities, submission no. 61, p. 1
(d) Equity of access to services and meeting the emerging needs of the community

The Committee is of the view that community, health and welfare organisations should have the ability to respond to changing community needs in a timely and effective manner. The human services network should have the capacity to ensure equitable access to services, identify service gaps in the system as well as emerging needs for future service delivery.

The Committee notes a report conducted by the MAV involving a survey of 22 councils across Victoria in relation to the Home and Community Care (HACC) program. The report identifies a number of problems in the HACC program, particularly in relation to the level of service provision, the ability to accurately measure service access and the level of unmet need. The report found that there is widespread evidence of unmet need in the community. The report also identified a number of critical issues that should be addressed by the Department of Human Services and Local Government for the delivery of an effective HACC program, namely:

- a need to identify preferred management information systems capable of generating standard reports on HACC clients and service usage;
- a requirement to develop a number of key indicators that measure service use and access so that accurate and consistent comparisons of outcomes can be made between Local Government over time; and
- measures such as waiting lists are not reliable indicators of unmet need due to the application of eligibility criteria and assessment processes. There is a need to develop population based benchmarks instead.

The Committee’s Inquiry has found similar issues. These are discussed in further detail below.

561 HACC Status Report for Victorian Local Government, Anna Howe, June 2000, pp. 4-5
(e) Promoting equity of access to services

The Local Government sector does not believe that adequate emphasis has been placed on equity of access to services because service agreements are largely focussed on quantifiable actions and the allocation of funding is based on the planning processes within the Department rather than on local service adequacy and needs. The City of Moonee Valley commented on this issue:

Highly targeted funding may have the unintended consequence of hindering access to services and can unduly constrain organisations in reconfiguring services to meet targeted funding criteria rather than real areas of unmet need.\textsuperscript{562}

In addition, the Committee was informed that inconsistencies in the funding formula applied to different service programs such as HACC and Maternal and Child Health can also have an impact on the equity of access to services. An example of this inconsistency was provided by the MAV:

The Service Agreement specifies that HACC fees be applied to additional service hours. This impacts on equity of access to services as the amount of fees collected by a local authority is influenced by the number of low income people in their municipality. In other words, under the current funding formula, higher income areas have the capacity to provide more services as they are more capable of raising service fees. High income areas also have less of a burden on their services as a larger proportion of their population can afford to pay for private services.\textsuperscript{563}

The Committee considers that equitable access to services by all sections of the community is a fundamental right and that service delivery should be consistent.

\textsuperscript{562} City of Moonee Valley, submission no. 125, p. 3
\textsuperscript{563} Municipal Association of Victoria, submission no. 149, p. 11
(f) **Filling service gaps**

The Local Government sector does not believe the current service agreement structure enables providers to fill service gaps in a timely manner because service agreements are not currently used as a planning mechanism. This belief is also reinforced by the fact that service gaps are not filled unless funding has been previously approved.

The City of Moonee Valley highlighted this issue in their submission:

> The lack of flexibility in service funding arrangements provides minimal opportunity to respond quickly to identified gaps. There is currently very limited ability to vary funding or use discretion in redirecting or substituting funds.\(^{564}\)

The Committee notes the lack of an effective and continual system of review, which was discussed earlier in this chapter, compounds this problem because service gaps identified during the course of a service agreement are not discussed until the negotiation of the next service agreement. The City of Glen Eira commented on this issue:

> ... the responsibility to equally evaluate if the specification of a service needs to be modified must be reflected in the service agreement, with the ability for each party to have an input into the process. This ensures that standards continue to be reviewed and evidence-based practice can dictate where funding is being allocated.\(^{565}\)

---

\(^{564}\) City of Moonee Valley, submission no. 125, p. 3

\(^{565}\) City of Glen Eira, submission no. 31, p. 3
Accordingly, the Committee recommends that:

Recommendation 11.5:

The Department of Human Services:

(a) review, in consultation with Local Government, the adequacy of the service agreement process to respond to identified service gaps and emerging needs in a timely manner; and

(b) consider the concept of block funding to a Local Government area to enhance flexibility and responsiveness to local needs.

(g) Identifying emerging community needs

Local Government believes that service agreements only record previously approved funds to provide services and do not identify or address emerging community needs. The Municipal Association of Victoria commented that:

Currently, funding agreements have no focus on emerging needs of the community. Local Government is supportive of the concept that the agreements are potentially a useful tool for dealing with issues of community needs.566

A key problem faced by Local Government is the current requirement to commit fee income to target units, which eliminates any flexibility a council has to transfer resources to meet emerging needs. The Shire of Campaspe advised that:

566 Municipal Association of Victoria, submission no. 149, p. 12
... consideration should be given to reviewing the requirement to commit fee income to target units ... if we used that elsewhere we could probably have a more flexible service delivery model and we could utilise that income to better meet the needs of our consumers.\textsuperscript{567}

Identifying and addressing emerging needs in a timely manner is a key to effective service provision. Accordingly, it will be important for the Department of Human Services and Local Government to jointly plan service provision with a level of flexibility required to address these emerging needs when they arise. The City of Wyndham advised of the following positive initiative:

The development of the spirit of cooperation in the Western Metropolitan Region of Melbourne between the Department of Human Services and seven Local Governments has been a positive document facilitating a collaborative relationship. The document represents and promotes a partnership approach to local area planning. Future development of service agreements could include key aims and principles of the spirit of cooperation.\textsuperscript{568}

The Committee considers that initiatives which relate to cooperation and local area planning should be promoted so that service gaps and areas of emerging needs are identified in a timely manner.

(h) Nature and use of unit costing

As outlined in Chapter 7 of this report, the introduction of the output-based funding model was designed to create a more direct link between the funding provided and the service delivered, with an emphasis on service outputs rather than the processes used to provide that service.

\textsuperscript{567} Ms J Andrews, General Manager, Community and Culture, Shire of Campaspe, transcript of evidence, 20 September 2000, p. 85

\textsuperscript{568} Wyndham City Council, submission no. 140, p. 2
In evaluating the impact of unit costing on the Local Government sector, the Municipal Association of Victoria advised the Committee:

While the introduction of the unit costing model has contributed to a more transparent and complete assessment of the costs of providing services, it has some significant limitations.569

Accordingly, the Committee notes that seven councils in the Eastern Metropolitan Region of Melbourne undertook a project that explored the benefits and the negative impacts of the move to unit costing for human services.570 The review concentrated on the provision of HACC services by Local Government and found that the funding model:

- was inadequate in reflecting the actual cost of service provision;
- reduced service flexibility, especially for out-of-hours servicing;
- encouraged cross-subsidisation of the Department of Human Services’ contribution from council’s revenue base;
- increased the administrative burden of councils;
- decreased quality across many service areas, including the training and recruitment of qualified staff; and
- was more focussed on the Department’s requirements than the needs of consumers.

The review also identified that many of the proposed benefits of unit costing have not been realised by the funding model but are the result of other reforms in the Local Government sector.

Local Government also identified a number of issues at hearings and in evidence relating to funding, including:

569 Municipal Association of Victoria, submission no. 149, p. 4
570 Eastern Region Councils Discussion Paper titled “HACC Output Based Purchasing”, p.2
• the model of purchasing according to unit process is not viable if Government is not prepared to pay according to unit costs and persists with partial implementation of the business model. A major deficiency of the current system is the failure of the State to implement adequate funding and indexing of core services and that new initiatives are often given funding priority over core services; 571

• funding formulas need to be re-examined in light of improved data in relation to target populations. The MAV pointed out:

... significant concern has been expressed by councils that the allocation of funds at the local level ... is haphazard. ... The Department should continue to shift the emphasis from submission based funding models to a greater weighting on needs and population based formulae.572

• new initiatives introduced by the Department should be linked to the structure of core programs and providers otherwise they generate an increasingly complex service system for service providers and clients to follow;

• the inadequacy of the current equity funding formula to account for all costs in delivering services. The City of Whittlesea was of the view that:

... the Relative Resource Equity Funding formula in its current form is inadequate and produces inequitable outcomes when applied on a statewide basis. The narrow indicators used ... do not account for the full range of determinants ... a better model would include other indicators of well-being such as:

- socio-economic indicators;
- health indicators;
- levels of Centrelink benefit recipients;
- the needs of people from non-English speaking backgrounds;
- level of fee collection;

571 Municipal Association of Victoria, submission no. 149, p. 4
572 Ibid, p. 5
geographic remoteness; and
- population growth.\textsuperscript{573}

- the assumption that clients can pay service fees covering the cost of purchasing additional services when clients are not always in a position to do so. The City of Manningham expressed the opinion that:

The unit price does not cover the cost of providing the services listed in service agreements. There is also an assumption that clients will pay fees and that fees will purchase more services. This is often incorrect because the majority of clients are on pensions and may not be able to afford to pay fees.\textsuperscript{574}

(i) Training and recruitment

The efficient and effective delivery of community, health and welfare services is dependent on a well qualified and experienced workforce. Accordingly, the training and development of Local Government service providers is a fundamental feature of this process.

Local Government shared many of the concerns raised by other service providers regarding training and recruitment, set out in Chapter 10. Local Government further advised the Committee that with respect to human resource issues:

- the HACC component of the service agreement includes a requirement to develop an action plan identifying training and staffing requirements, however not all programs have this requirement;
- service agreements do not cater for specific arrangements such as ‘backfill’ for staff on leave or training which places pressure on the wider service system;

\textsuperscript{573} City of Whittlesea, submission no. 83, p. 3
\textsuperscript{574} Manningham City Council, submission no. 17, p. 3
there is no regular liaison between Local Government and the Department of Human Services on the Department's training activities and the strategies for training and staff development funding;

- current funding arrangements lack consistency across all programs with some accounting for costs such as enterprise bargaining increases and CPI changes, sick leave and annual leave, while others are fixed with no process for negotiation to reflect increased staffing costs;

- the lack of an adequate career path for staff through the development of an accreditation process or appropriate training standards; and

- the lack of adequate training exacerbates the problem of staff turnover and attracting and retaining skilled staff.

Given the importance of training and staff development to the delivery of quality services, the Committee is concerned about the extent of issues raised by Local Government with respect to staff training, recruitment and retention.

(j) Tendering and contracting arrangements

The method by which Local Government delivers services has undergone considerable change in the last eight years with the implementation and subsequent abolition of compulsory competitive tendering and the adoption of best value principles. As previously stated in this chapter, the MAV believes that the blanket application of commercial principles was inappropriate for human services.575

The Local Government sector identified a number of inefficiencies in the methods used by the Department of Human Services to contract the delivery of community, health and welfare services. The City of Moonee Valley stated:

575 Municipal Association of Victoria, submission no. 149, p. 1
... there is little value to be achieved in the Department tendering for provision of services where funds available are relatively small amounts and there is a limited range of appropriate providers. The process is both financially and physically onerous for small agencies and for Local Government often involves disproportionate effort. The process has also tended to generate competitiveness and a lack of co-operation across the sector, as organisations are forced into a competitive process bidding against other agencies with which they have close working relationships.\textsuperscript{576}

In addition, a number of more specific issues have been raised in relation to tendering and contracting arrangements, namely:

- service agreements are directed at organisations which do not have the same governance and statutory obligations as Local Government authorities which already have systems and processes established to ensure full probity exists;\textsuperscript{577}

- the competitive nature of the tendering process engenders competition and secrecy in the development of submissions for minor levels of funding, this reinforces a lack of openness and trust between service providers which should have a cooperative working relationship to effectively service the community;\textsuperscript{578}

- consultation has not been undertaken when developing a specification for services due to a misunderstanding of probity requirements by the Department, leading to less than optimum contracts;\textsuperscript{579} and

- there are services where the particular council is the major funding source and in the event the Department calls for tenders for its component of the service then the outcome can potentially divide service delivery between two providers and lead to inefficiencies.\textsuperscript{580}

\begin{itemize}
  \item \textsuperscript{576} City of Moonee Valley, submission no. 125, p. 4
  \item \textsuperscript{577} Municipal Association of Victoria, submission no. 149, p. 14
  \item \textsuperscript{578} Macedon Ranges Shire Council, submission no. 73, p. 6
  \item \textsuperscript{579} City of Whittlesea, submission no. 83, p. 5
  \item \textsuperscript{580} City of Melbourne, submission no. 139, p. 3
\end{itemize}
11.3 Future directions

11.3.1 Coordination of responsibilities between the Department of Human Services and Local Government

The Committee’s Inquiry has identified a number of problems and inefficiencies with the current service agreement framework and process. It is important that the Department and the Local Government sector effectively deliver on their joint responsibility for promoting community well being through the development of a responsive service system.

Currently, the Local Government sector does not believe that the Department recognises the role of Local Government as a key player in the delivery of human services. This matter was raised by the City of Maroondah which advised:

… we would like Local Government recognised as a player at the table in terms of the planning and delivery of services … we believe that there is a lowest common denominator approach, if you like, with service agreements. It [the Department] does not really respect Local Government as a key player in the delivery of services.581

In contrast, the Department, through its Stronger Citizens, Stronger Families, Stronger Communities - Partnerships in Community Care document, states that the base point for service planning should be at a Local Government level because:582

It is too difficult for a state government to seek to engage local communities.583

The Department also advised that the general philosophy of community building is essential in an effective service system because a strong community has a greater ability to care for

581 Mr N Foa, Director of City Services, City of Maroondah, transcript of evidence, 8 November 2000, p. 322
582 Department of Human Services, December 2000, Stronger citizens, stronger families, stronger communities: partnerships in community care
583 Ms M Wagstaff, Director, Community Care Division, Department of Human Services, transcript of evidence, 26 September 2000, p. 141
disadvantaged members and therefore has less reliance on the provision of intensive services.\textsuperscript{584}

The Director of Community Care advised the Committee that the Department currently funds in part local services such as maternal and child health, neighbourhood houses and preschools, in isolated areas. However:

... [the Department] could look at those services and Local Government being more of a supportive net for people and potentially contributing to community building, rather than services we basically fund in isolation from decisions that are all made separately and centrally.\textsuperscript{585}

The MAV also believes that the current process of service coordination and delivery is fragmented:

The State’s program design and funding allocation are currently based on service planning decisions largely made in Department of Human Services silos. The Department’s planning has often ignored programs and services funded/operated by other organisations in their scoping of services. Both State and Local Government need to work from an agreed population based local area planning framework from which jointly agreed service benchmarks can be developed.\textsuperscript{586}

The Committee considers there is a clear need for collaborative approaches between the Department and Local Government and this is discussed in greater detail in the following sections.

\textbf{11.3.2 Development of a State and Local Government protocol}

In its submission, the City of Port Phillip identified that Local Government has a number of key responsibilities in the development and delivery of services in their local area, namely:\textsuperscript{587}

\begin{flushright}
\textsuperscript{584} Ibid, p. 141, \\
\textsuperscript{585} Ibid, p. 141, \\
\textsuperscript{586} Municipal Association of Victoria, submission no. 149, p. 4, \\
\textsuperscript{587} City of Port Phillip, submission no. 148, p. 2
\end{flushright}
• supporting mainstream and disadvantaged access to the human services system by direct involvement in the provision or funding of services;

• strengthening the community and acknowledging the value of social capital through the funding or provision of services; and

• identifying and advocating for both specific and broad community needs and issues.

As a result of these responsibilities, the City of Port Phillip takes a leadership role in facilitating partnerships with its community, and resources a number of local service provider networks.\textsuperscript{588}

In recognising the governance role of Local Government in the planning and coordination of human services in each local area, the MAV believes that:

> The Service Agreement for Local Government should arguably be different from those with other agencies, and be set in the context of a broad partnership protocol ... [and] would ideally reflect the joint governance responsibilities and the partnership arrangements [planning and funding] that exist, and work towards the joint longer term vision for the development of the service system.\textsuperscript{589}

Presently, Local Government believes that the service agreement framework adopted by the Department does not reflect the key responsibilities of Local Government and the detailed knowledge of community needs acquired through its activities.

The Committee suggests the development of a statewide partnership protocol to ensure the delivery of services is more closely integrated with the overall planning role of Local Government by requiring the identification of local needs through strategic and consultative processes. The MAV supports this view:

\textsuperscript{588} Ibid, p. 2
\textsuperscript{589} Municipal Association of Victoria, submission no. 149, p. 2
If we had a common planning protocol accepted at statewide level, across the Department and across Local Government, it would make it so much easier. If it had legitimacy in terms of each of the regional Directors and all councils knew where we were trying to work towards in terms of joint planning ... as you know, when staff move on things get lost, whereas at the statewide level we can play a role.\textsuperscript{590}

The development of a partnership protocol would result in services funded by Local Government and those funded by the Department of Human Services being more closely connected, rather than delivered as fragmented and discreet programs for particular target groups. In addition, an integrated planning effort would minimise competition in a service system that requires collaboration and coordination to achieve positive outcomes.

Accordingly, the Committee recommends that:

**Recommendation 11.6:**

A State/Local Government partnership protocol be formally developed between the Department of Human Services and the Local Government sector in order to recognise their joint responsibilities in delivering human services to the community.

**11.3.3 Service memorandums of understanding**

In accordance with the need for more integration in the delivery of Local Government and departmental funded services, the MAV, in conjunction with the Department of Human Services, has developed a Memorandum of Understanding (MOU) to reflect a joint partnership in the delivery of Maternal and Child Health services. The development of a similar agreement covering HACC services is currently in progress.

\textsuperscript{590} Ms C Hargreaves, Senior Policy Officer, Municipal Association of Victoria, transcript of evidence, 11 October 2000, p. 236
The MAV have expressed concerns about the operation of the Memorandum of Understanding, in particular the indexation of funding by the Department. The Committee was informed:

... as we have indicated in the maternal and child health memorandum of understanding (MOU) with the state, we have agreed in principle to keep putting in what we have put in. We are indexing at the moment. The State actually is not ... It is in the memorandum of understanding that the State is indexing but it is not able to do that at the moment. We have been paid $22.11 an hour for maternal and child health since 1997.591

The MAV also advised that:

In other areas of activity such as public health, Councils are expected by the State to perform a wide range of functions that are fully funded by Councils, and there are therefore no service agreements in place regarding roles, responsibilities, resourcing and outcomes. 592

The Shire of Indigo has also expressed disappointment with the level of detail in the Memorandum of Understanding which allows considerable scope for interpretation. The Shire was:

... disappointed in that it was not explicit enough ... it made mention of the responsibilities of regions to work with their service sectors... it did not give a platform from which that could work. It left them to their own devices ...; and

I think there can be some common guidelines or ground rules about what can be expected from either party.593

Despite these concerns, the Committee views as positive the development of agreements between Local Government and the Department of Human Services that promote a collaborative focus in the delivery of community, health and welfare services.

591 Ms C Hargreaves, Senior Policy Officer, Municipal Association of Victoria, transcript of evidence, 11 October 2000, p. 238
592 Municipal Association of Victoria, submission no. 149, p. 3
593 Ms R Tai, Manager, Community Services, Indigo Shire Council, transcript of evidence, 21 September 2000, p. 129
However, the Committee considers that the Department and the Local Government sector should adopt timely review mechanisms to allow current concerns identified in relation to the operation of MOUs to be addressed.

Accordingly the Committee recommends that:

Recommendation 11.7

(a) The Department of Human Services, in conjunction with the Municipal Association of Victoria:

(i) review the operational impact of the Memorandum of Understanding in relation to Maternal and Child Health services with a view to enhancing this process; and

(ii) incorporate the lessons learned from the review in the development of the Home and Community Care Services (HACC) Memorandum of Understanding.

(b) The Department of Human Services consider the adoption of a Memorandum of Understanding for services fully funded by Councils, but at the direction of the State, such as public health services.

11.3.4 Role of Local Government in decision-making, coordination and service planning

The MAV, in their submission, indicated that Local Government in its role as a provider of human services on behalf of the Department should: 594

---

594 Municipal Association of Victoria, submission no. 149, p. 3
provide greater input on proposed projects within the relevant municipality as a component of the overall planning and funding process; and

contribute to funding decisions and the coordination of accountability requirements for smaller service providers that are funded to deliver human services, this should reduce the level of administration and the fragmentation of services.

The Committee notes that the Department and Local Government have already initiated this type of arrangement in the Neighbourhood House Program. These arrangements resulted in the establishment of stronger relationships between Neighbourhood Houses and Local Government to the extent that newly proposed and established Neighbourhood Houses are required to demonstrate links with Local Government in their applications for funding. The Committee considers this a positive initiative that should be explored and considered for other types of services.

The implementation of Integrated Local Area Planning (ILAP) which aims to link cross-functional and program planning at a statewide level to geographic municipal planning for communities at the local level is an important process in connecting services to the community. The MAV believes that cross-program delivery strategies need to be explored by stating:

... while it is extremely positive that the Department of Human Services has one amalgamated service agreement with each council, links should be made across program areas rather than the service agreements merely listing the range of programs funded and identifying individual programmatic outputs.

In its submission to the State's Community Care Review (March 2000), the MAV promoted the development of specified plans, prepared in conjunction by both State and Local Government, for all councils across Victoria. These municipal plans would

---

595 Ibid
596 Ibid, p. 4
incorporate the Municipal Public Health Plan required under the Health Act and Community Services plans to ensure the incorporation of both State and Local Government requirements into an integrated human services plan for each municipal area of the State.

Accordingly, the Committee recommends that:

Recommendation 11.8:

The Department of Human Services consider the development of integrated local area plans to ensure there is an agreed and consistent approach to planning for the delivery of human services in each municipality. The plan would also provide the basis for decision making within the Department regarding future funding and service directions by utilising the most accurate and detailed data on community needs as collected by the relevant council.
CHAPTER 12: PARTNERSHIPS: REDEFINING THE RELATIONSHIP BETWEEN GOVERNMENT AND NON-GOVERNMENT ORGANISATIONS

Key Findings:

12.1 England, Canada, New Zealand and some States in Australia, are at different stages of developing agreements that are variously described as compacts, accords or partnership statements.

12.2 The trend towards redefining or clarifying the relationship between Government and non-government organisations is a response to various factors. These factors include a move away from the extremes of competitive tendering, economic rationalism and globalisation.

12.3 There is also growing recognition of the importance of community building and the community services sector in providing human services.

12.4 The three phases involved in developing and implementing an accord are: development of the accord; development of codes of practice; and monitoring, reporting and compliance.

12.5 The development of an accord or partnership statement has been a recent phenomenon, so there have been few formal evaluations of the processes, documents and impacts on relationships between Government and non-government organisations.
Key Findings (continued):

12.6 In England, the first annual survey of the effect of the compact on the relationship between the voluntary and community sector and the Government contained mixed results.

12.7 The final text of an accord in Canada was approved in December 2001, after several years of formal and informal discussion between the Federal Government and non-government organisations.

12.8 In New Zealand, a Community and Voluntary Sector Working Party concluded in April 2001 that there was not yet sufficient coherence across the community sector to support a formal agreement.

12.9 Similar developments in Australia are in the early stages and vary substantially in scope and content, from State Government/community sector partnership agreements to statements confined to individual departments and peak community service organisations.

12.10 The evidence from service providers supported the development of a partnership agreement with the Department of Human Services and the Victorian Government. However, few submissions contained details of the nature, scope and process by which such an agreement could be developed and implemented.

12.11 A community sector working group developed a draft statement of commitment between the Victorian Government and the Victorian community sector following preliminary attempts by the Department of Premier and Cabinet and a community sector reference group to develop a process to formulate a partnership agreement.

12.12 The Department of Human Services is committed to developing a partnership agreement.
12.1 Introduction

The Premier has indicated that the Government will focus on developing strong partnerships with Local Government and community organisations:

Partnerships in which each of the partners contributes expertise and resources, based on shared understandings about such things as transparency, priorities and respect for the different roles of each partner. The Government expects that each of these partnerships will produce new practical models for more integrated and related service delivery.  

Further, the Communiqué of the Growing Victoria Together Summit states that:

... Government commitment to a strong social services system and infrastructure is imperative for the well-being of society. A strong non-government sector is also crucial to the ongoing viability of this service system. The Summit acknowledges the sector’s role as a partner in policy development.

Such observations about partnerships reflect a trend interstate and overseas, whereby Governments and non-government organisations are redefining or clarifying the way in which they work together.

The Committee’s research has revealed that partnerships are common in the commercial world. They signify the contribution of resources by two or more parties to a venture, the sharing of rewards or losses in an agreed proportion with the terms and conditions on which the relationship is based, being documented in a partnership agreement. However, in the context of human services and the relationship between Government and non-government organisations, the term partnership is being used to describe a collaborative working relationship between the parties within the bounds of their respective roles and accountabilities.

597 Hon. S Bracks, MP, Premier of Victoria, Victoria’s New Priorities and New Directions, Speech to the Centre for Public Policy, University of Melbourne, 15 May 2000

598 Growing Victoria Together Summit, Communique, 30-31 March 2000, Melbourne
Several jurisdictions, notably, England, Canada, New Zealand and some States in Australia, are at different stages of developing agreements variously described as compacts, accords or partnership statements. The agreements detail how the parties will relate to one another and contain common elements including: a statement of shared vision, principles to guide the relationship, mutual undertakings articulated in a general way for both sides and provisions for a secondary phase of implementing more specialised codes of conduct. The trend towards developing partnerships has been described as a response to various factors including:

- globalisation, economic rationalism and competitive tendering;\(^\text{599}\)
- increasing recognition of the importance of social infrastructure in community building and in achieving a more just and inclusive society;\(^\text{601}\) and
- growing recognition of the importance of the community sector and the challenges facing the sector as it is called on to play a larger role in society with declining Government financial support.\(^\text{602}\)

One academic has argued that talk of partnerships by Governments is most intensive where its relationship with the third sector (volunteer and community organisations) is most fractured, most hostile and distrusting.\(^\text{603}\) That is in the

---


601 Wannan L Hop, Step and Jump Consulting Services for Queensland Council of Social Service, October 2000, *The organisational arrangements for a leadership role in the development of a community services industry plan in Queensland*, p. 2


community services field and to some extent health sector. In the Canadian context, an academic has noted that:

In a Canadian accord is not a casually borrowed idea, but grows out of a significant change in how government works. Not only did governments get leaner in the 1990s, but they came to realize that they could not govern and deliver services on their own in a traditional unilateral, uniform manner.

The purpose of this chapter is to examine partnership arrangements in interstate and overseas jurisdictions, discuss related developments in Victoria and identify a number of recommendations that will progress the formulation of a partnership statement in Victoria.

12.2 Partnership statements: structure and associated processes

A Canadian academic has stated that the process by which an accord is developed is as important as the content of the document itself:

Experience clearly demonstrates that the process of getting to an agreement and the ongoing means for implementing good practices, monitoring and reporting are as important, if not more so, than the content of the document itself. The ultimate success of an accord is judged mainly on whether greater trust has been instilled on both sides and whether practices change to the satisfaction and mutual benefit of both partners. In short, an accord is about relationship building...

There are three phases involved in the development and implementation of an accord:

---

604 Ibid
606 Ibid
607 Ibid
• **phase one - Development of accord:** involves drafting the text of the framework agreement, engagement of the sector and Government on its contents, redrafting as necessary and formal agreement;

• **phase two - Development of codes of good practice:** involves giving substance to the framework through drafting one or more detailed guides about what constitutes good conduct for both Government and the voluntary sector, engaging the sector and Government in a dialogue on the acceptability of the codes and initial implementation of them; and

• **phase three - Monitoring, reporting and compliance:** involves ongoing monitoring of both sides to ensure that the framework agreement and the codes are being followed, public reporting on the state of the relationship and addressing complaints of non-compliance.

It has been argued that an accord is not a cure for the chronic under-funding of voluntary organisations, the increased demand for services or the pressures volunteer recruitment and management face. However, the development of an accord does have the potential to improve the relationship between the Government and non-government organisations in three respects:

• in the everyday practices that the Government uses in how it interacts with voluntary organisations;

• in changing the way in which Government thinks about the sector; and

• in enhancing the coherence of the sector.

The development of an accord also carries risks.608 The worst case scenario of an accord is that no machinery is developed within Government or the sector to coordinate or monitor responses so that Government practices and attitudes towards the sector do not change. Further, the lack of response combined with the high expectations of change that are likely to be generated during the

---

608 Ibid
management stages may produce significant strains and set the relationship back, in the case of Canada, to the poor state it was during the 1990s.

It is also important to stress that the development of partnership statements has been a recent phenomenon and therefore there have been few formal evaluations of the processes and documents or the effect on relationships between Government and non-government sectors. As the Victorian Council of Social Service advised the Committee:

... [we] do not think the word ‘partnership’ across the country has been well articulated. We are right in the middle of a whole sector working this through ... We are having to create the future as we go.\(^{609}\)

12.3 Overseas developments

Compacts and accords between Governments and the non-government sector have been, or are in the process of being, developed in a number of countries. The experiences of overseas jurisdictions cannot be directly translated to the Victorian process for various reasons. However, overseas experience in formulating the content and processes associated with the development of a partnership statement can serve as a useful guide for Victoria.

12.3.1 England

The British Government replaced its traditional commitment to State ownership and direct provision of services with the philosophy of the ‘Third Way’ - where the open market economy coexists with the modern welfare state.\(^{610}\) This policy framework recognises the central role played by the voluntary sector. As UnitingCare Victoria explains:

---

\(^{609}\) Ms D Fifer, Chief Executive Officer, Victorian Council of Social Service, transcript of evidence, 6 March 2001, p. 538

\(^{610}\) Lyons M 27 April 2001, *Compacts between governments and the voluntary sector*, Governance and Partnerships in the Third Sector: Reconciling Agendas for Change Conference, Melbourne
New Labour is in power [in Britain] and it does not have a particularly strong commitment to government-provided services, and that is why [the government] engaged in that process with the voluntary sector in the first place - they are looking to the voluntary sector to provide services that traditionally have been provided by either the state directly or local government, which is much ... bigger and more extensive in Britain [than Australia].

A number of factors contributed to the process of redefining the relationship between the Government and the voluntary sector, including the release of two reports. These reports concluded that Government and the voluntary and community sector have a number of complementary functions and shared values and that a compact to further understand and develop their relationship would be highly desirable.

Work on developing a Compact on Relations between Government and the Voluntary Community Sector in England commenced in 1997 and after wide-ranging consultations with Government Departments, umbrella bodies, community groups and service organisations, the compact was finalised in November 1998.

---

611 Ms M Leveratt, Policy Officer, UnitingCare Victoria, transcript of evidence, 19 October 2000, p. 318
612 The two reports were:
- National Council of Voluntary Organisation, Commission on the Future of the Voluntary Sector, chaired by Professor Deakin, *Meeting the Challenge of Change* (July 1996); and
613 The following process was adopted in developing the compact in England:
- a Government Relations Working Group, comprised of representatives from leading voluntary and community sector umbrella bodies, led by the National Council of Voluntary Organisations, was given the task of drafting and negotiating a compact. A reference group of over 60 members representing diverse parts of the sector was also established to provide ongoing advice to the Working Group;
- the Government conducted its own consultations internally;
- negotiations between the Government and the voluntary sector took the form of meetings between the Working Group and an Inter-Ministerial Working Group (representing 13 departments, chaired by the Home Office), with the two parties jointly drafting the final compact; and
- the codes of practice have been developed by sub-groups of the Working Group, each with Government members as observers who reserve the right to not accept them.

The compact is described as:

... an expression of the commitment of Government and the voluntary and community sector to work in partnership for the betterment of society and to nurture and support voluntary and community activity.\(^{614}\)

With respect to the status of the compact, it is not regarded as a legally binding document. Its authority is derived from its endorsement by Government and by the voluntary and community sector through its consultation process. It applies to all central Government Departments and executive agencies that have a relationship with the voluntary and community sector. It also applies to a range of organisations in the voluntary and community sector.\(^ {615}\)

The compact sets out the shared principles, undertakings by Government, undertakings by the voluntary and community sector, issues relating to black and minority ethnic organisations and community groups and means of progressing the compact. The philosophy underpinning the compact is stated as follows:

... voluntary and community activity is fundamental to the development of a democratic, socially inclusive society. Voluntary and community groups, as independent, not-for-profit organisations, bring distinctive value to society and fulfil a role that is distinct from both the state and the market. They enable individuals to contribute to public life and the development of their communities by providing the opportunity for voluntary action.\(^ {616}\)

The section outlining the undertakings of Government covers issues relating to the independence of the sector, funding, policy development and consultation, and ‘better’ government. The voluntary and community sector have made undertakings relating

\(^{614}\) Compact on Relations between the Government and the Voluntary and Community Sector in England, 1998

\(^{615}\) Ibid

\(^{616}\) Ibid
to funding and accountability, policy development and consultation, and good practice.

The United Kingdom's National Council for Voluntary Organisations has identified a number of elements that were crucial to the development of the compact. They included:

- recognition that the relationship between Government and the voluntary sector needed reviewing, a process that took three years in the case of England;
- a growing 'convergence of intent' between both parties;
- building a win-win situation through identifying shared principles and values;
- developing an inclusive process, with widespread and open consultation and buy-in from all concerned (not just top-down), that produced results; and
- ensuring measurable outcomes and establishing a full two-way relationship with obligations on both sides.

The compact has been subsequently underpinned by a series of Codes of Good Practice that have been or are in the process of being developed. The codes provide more detailed guidance on five key areas:

- funding (2000);
- consultation and policy appraisal (2000);
- volunteering (2001);
- black and minority ethnic voluntary and community organisations (2001); and
- community groups (expected publication date May 2002).

Local Governments have also been encouraged to adopt or adapt the national compact and develop their own compacts with locally based service organisations and public bodies.

---

617 Getting it right together?, Social perspectives, December 1999, p. 11
When the Compact was agreed to in November 1998, a series of measures were established to monitor its implementation. An annual meeting is held between Government Ministers and a Compact Working Group which makes an annual report to Parliament based on surveys carried out in the voluntary and community sector and across Government. The first annual survey of the voluntary and community sector found that:

- there is high awareness of the compact amongst the voluntary sector. However, the compact is seen more as a statement of values with as yet insufficient practical implication for general interaction with Government. Only 8 per cent of voluntary organisations found the compact useful in dealing with Government;
- the Codes of Practice are seen as the means of delivery for change;
- the compact has yet to make a substantial impact on how Government relates to the voluntary and community sector. However, one-third of voluntary organisations believed that their relationship with Government had improved over the last year. No reasons were provided to explain this anomaly;
- a combination of high expectations about the potential impact of the compact across the sector and a lack of awareness across Government has left a strong impression of a low level of awareness and uptake of the compact within Government; and
- the sector recommended that a target-based review process be introduced that addresses year on year the extent to which the compact has been implemented.

---

618 Compact Working Group, January 2001, Letter regarding the Annual report to Parliament: Second annual survey of the voluntary and community sector
619 Working Group on Government Relations, April 2000, The Compact one year on – a voluntary and community sector perspective
The results of a questionnaire sent to Government Departments, offices for the regions and selected providers regarding the compact found that:

- 47 per cent of respondents found the compact helped guide consultations with the voluntary sector, whilst 47 per cent believed it was of limited use;
- 67 per cent of providers believed the compact provided a useful context for funding voluntary and community organisations;
- the majority of respondents indicated there had been an improvement in their relationship with the sector during the past year; and
- 58 per cent of respondents believed that it was too early to comment on how useful the compact had been in guiding their organisation’s relationship with the sector.

Separate compacts have also been developed in Scotland, Wales and Northern Ireland.

### 12.3.2 Canada

The voluntary sector has survived not only some tough times in recent years, but also a fundamental transformation in its relationship with governments and the public. Governments have placed enormous responsibility on the sector. They want it to deliver services once delivered by the state; to be the agents for strengthening civil society and democracy; and to serve as the “glue” that binds an increasingly diverse population together. At the same time, there are increased demands on voluntary organizations for accountability and transparency which have been our main preoccupation.

---

620 Results of Questionnaire sent to Government Departments, Government Offices for the Regions and Selected Executive Agencies

The shift in responsibility for delivery of social services from the Government to the non-profit sector has occurred in almost all provinces and territories in Canada. This process has been driven by a number of factors including:\(^{622}\)

- the belief that the non-profit sector is a less expensive means of delivering social services. Governments are experiencing declining public revenue and are under pressure to reduce their span of activity, while facing demands by electorates to maintain long-standing benefits and entitlements; and

- the movement towards an ideology which favours the principle of higher levels of Government being less directly involved in the activities of helping and caring - social programs - in favour of community-level organisations and local-level Government.

According to some academics, this process has occurred against a background of large-scale fiscal reductions in spending and in the absence of a sound knowledge base of the costs, benefits and consequences of social-services ‘downloading’ to the non-profit sector.\(^{623}\)

In response to increasing expectations of the voluntary sector, a coalition of Canada’s major national voluntary organisations – the Voluntary Sector Roundtable (VSR) - established the Panel on Accountability and Governance in the Voluntary Sector. The Panel released its report Building on strength: improving governance and accountability in Canada’s voluntary sector in February 1999.

The report contains over 40 recommendations that outline a number of initiatives directed at the voluntary sector, including the creation of codes of good governance and implementation of ethical fundraising practices. The report also emphasises the importance of the Government’s role in improving the capacity of the voluntary sector in handling its new role. A compact

---

\(^{622}\) Hall M H and Reed P B 1998, ‘Shifting the burden: how much can government download to the non-profit sector?’, Canadian Public Administration, vol 41(1), p. 1

\(^{623}\) Ibid, pp. 3, 19
capturing the rights and responsibilities of both Governments and voluntary sector organisations in their dealing with each other was also proposed.

Subsequently, the Government and the voluntary sector commenced a joint initiative in April 1999 to improve and strengthen their relationship. Joint Committees comprising Government officials and leaders from the voluntary sector were established to examine three issues - building a new relationship, strengthening capacity and improving the regulatory framework. This process culminated in the release of the Working Together Report in August 1999. The report recommended that an accord between the Government and sector be developed to guide the evolving relationship.

In June 2000 the Government committed $95 million over five years to strengthen the relationship with the sector and to increase its capacity through the Partnering for the benefit of Canadians: Government of Canada - Voluntary Sector Initiative. As part of this announcement, the Government and prominent sector leaders committed themselves to the development of a joint accord or framework agreement between the Government and the voluntary sector for the purposes of strengthening the relationship and mutual understanding. An amount of $10 million has been set aside for this purpose.

A Joint Accord Table that is composed of an equal number of Government officials (including Assistant Deputy Ministers) and members of the voluntary sector has been established to oversee that Accord Project. The purpose of the Accord Project is:

To develop a framework document and associated monitoring and reporting measures that will improve the way the federal government and the voluntary sector work together in areas of policy development, program design and service delivery, for the benefit of Canadians.

625 Refer to http://www.vsi-isbc.ca/eng/joint_tables/accord/terms_of_reference.cfm
There will be two stages to the project as indicated above. The first stage involved the development of a framework document based on an approved plan and consultation document. The final text of the accord was approved in December 2001. The second stage of the process is expected to take one year. Its purpose will be to determine the institutional structures and processes needed for the ongoing management of the relationship and to ensure the implementation of the accord.

The accord outlines:

- the purpose of the accord;
- shared values of Canadians;
- principles that will form the foundation for the relationship – independence and interdependence, dialogue, cooperation and collaboration and public accountability;
- benefits of the accord;
- shared, Government and voluntary sector commitments to action; and
- measures to ensure the implementation of the provisions of the accord, monitor progress and report back to Canadians on results achieved.

**12.3.3 New Zealand**

The context for the debate regarding a partnership between the Government and non-government sector in New Zealand mirrors that of both Canada and England. A report of the Community and Voluntary Sector Working Party stated in April 2001 that:

---

626 Refer to [http://www.vsi-isbc.ca/eng/joint_tables/accord/accord_doc.cfm](http://www.vsi-isbc.ca/eng/joint_tables/accord/accord_doc.cfm)
Throughout much of the last century, the development of health, education and social services was characterised by the rise of the welfare state, with voluntary organisations often playing an innovative role in response to emerging needs and developing services that were later accepted as activities to be supported or delivered by the State. More latterly, this trend has been complicated by the state pulling back from some areas of delivery and communities and families again picking up important support roles. At the same time distinctions between government, community and private sector activities have become blurred as government agencies adopted business methods of operating and then required iwi and community organisations to make similar adjustments.627

In May 2000, the Minister for the Community and Voluntary Sector announced the establishment of a working party to develop the framework for an agreement between the Government and the community and voluntary sector. The Minister noted that:

An independent and diverse community and voluntary sector is essential to the health and wellbeing of our society. Labour and the Alliance are serious about encouraging greater participation in voluntary organisations because we recognise their value in building stronger communities. Government relationships with community and voluntary sector have been characterised by mistrust and insecurity. We want to move past the narrow focus on what is in the contract to develop strong relationships based on the concept of partnership.628

The Working Party was established in August 2000 to consider the scope of a proposed agreement between Government and Iwi/ Maori, community and voluntary organisations. The Working Party comprised both Government and non-government representatives and reported its findings in April 2001. It concluded that:

627 Community and Voluntary Sector Working Party, April 2001, Communities and Government: Potential for Partnership, p. 16
The term iwi means tribe, people
628 Hon S. Maharey, Minister for the Community and Voluntary Sector, 25 May 2000, Media statement: Community and Voluntary Sector Working Group announced
... there is not yet sufficient coherence across the breadth of the community sector to support a formal agreement. 629

The Working Party found that the process of relationship building cannot progress without acknowledging the depth of frustration and resentment among many people active in Iwi and community organisations.

The Working Party concluded that there were five significant problems in the relationship between the Government and the community sector: 630

- concerns about the relationship between the Crown and Iwi, characterised by the desire of Maori for self-determination and control over their resources and the policies affecting their future and wellbeing and, on the part of Government, an apparent inability to satisfy Maori aspirations;
- a sense of having been excluded from key policy decisions and a desire for a more participatory style of Government;
- at all levels and across a wide range of organisations, frustrations with Government funding arrangements and in particular opposition to the contracting model;
- a concern about the 'health' and strength of Iwi/ Maori, community and voluntary organisations and their ability to pursue their own goals; and
- a more general concern about the culture of Government - the attitudes and behaviour of Government agencies and officials and their lack of understanding of Iwi and the community sector.

However, the Working Party identified a number of measures to promote effective working relationships between the Government and Iwi/ Maori, community and voluntary organisations:

---

629 Community and Voluntary Sector Working Party, April 2001, Communities and Government: Potential for Partnership, p. x

630 Ibid, p. viii
• a proposal for addressing, at a broader level, relations between Iwi/ Maori and the Crown;

• a proposal that the Minister responsible for the community and voluntary sector should, on behalf of the current Government, issue a Statement of Intent making a commitment to a positive working relationship with community and voluntary organisations and setting out the principles on which the Government’s own attitudes and behaviour would be based; and

• a Phase Two relationship building process, co-ordinated by a steering group and comprising the following four themes of work:
  – developing a participatory style of Government;
  – reviewing resourcing and accountability arrangements;
  – supporting the strengthening of the community and voluntary sector; and
  – improving the ability of central Government to understand and work with community organisations.

The Government was expected to respond to the Working Party’s recommendation by the end of June 2001.631 The Minister for the Community and Voluntary Sector released the Government’s response to the report in September 2001. The Minister stated that the Government largely agrees with the Working Party’s recommendations and supports its call for further work to improve the relationship.632 The Government has picked up on three of the four themes identified by the Working Party requiring further work:

• better participatory processes around developing and making policy;

---

631 Refer to http://www.mosp.govt.nz/voluntary/nextphase.shtml
improving resourcing and accountability arrangements; and

- strengthening the community sector.

With regards to the fourth theme of improving the culture of Government, the Minister stated that:

... [that is] something to be addressed in each of the work streams [themes]. The basic message to government agencies here is that people must be treated with respect, dignity and compassion.633

A joint community/ Government Steering Group, headed by the Chair of the previous Working Group, will report to the Minister on the above issues by 30 June 2002. The Government is considering further the concerns expressed about the relationship between the Crown and Iwi. The Government has also made a commitment to develop a Government Statement of Intent for an Improved Community and Government relationship, as recommended by the Working Party.

12.4 Commonwealth and interstate developments

The relationship between Government and community service organisations has been undergoing review in several Australian jurisdictions, in the context of significant welfare reform at the Commonwealth level. Most of the developments are at early stages and vary substantially in scope and content between State Government/ non-government organisations partnership agreements and statements confined to individual Government Departments and community service organisations. The discussion below provides a brief insight into such developments.

12.4.1 Queensland

In 1998, the Beattie Government made three specific election commitments relating to funding for community services.634

---

633 Ibid
634 Ms S Watters, Director, Queensland Council of Social Service, personal communication, 12 May 2000
the Minister for Family, Youth and Community Care declared a moratorium on competitive tendering in the community services sector;

- single-service agreements would be introduced to replace the current complex system; and
- triennial funding would be implemented.

The Government also made a commitment to the development of a Community Services Strategy including the preparation of a statement of intent (a series of principles to guide the relationship between the Government and community services sector) and a five-year industry plan.635 The rationale for the strategy stemmed from the Government’s recognition of:636

- growing inequity and changing demographics;
- higher expectations of accountability for public funds;
- opportunities for improved practice;
- changing environment for the community services industry; and
- new technologies and opportunities.

Cabinet endorsed the development of a community services strategy in November 1998 and a project team within the Department of Premier and Cabinet was established to facilitate the strategy’s development. The project team conducted consultations across Queensland and met with various stakeholder and interest groups. In addition, the Queensland Council of Social Service (QCOSS) was funded by the Department of Families, Youth and Community Care to engage the community services sector in the initial development of the strategy. It released a report of its findings in July 1999.

635 Department of the Premier and Cabinet, Queensland 1999, Strategic directions: investing in Queensland’s community services, Consultation paper, September, p. 7. Details of the industry plan are further discussed in Chapter 10 of this report
636 Ibid, pp. 3-4
With respect to the relationship between the community service sector and the Government, QCOSS found that:\footnote{637 Queensland Council of Social Service, July 1999, *The Community Services Strategy: Some Perspectives from the Community Services Sector*}

- there was widespread support for the concept of a broad or high-level policy statement that reflected a Government commitment to a mutually respectful working relationship with the sector;
- many of the issues raised by the sector were captured in the draft Towards a Statement of Intent document that was released during the course of the QCOSS consultations;
- service providers emphasised that any statement endorsed by Cabinet be linked to adequate resources and an implementation strategy. Some providers expressed doubt that the high level policy would translate into action at the bureaucratic level;
- the importance of the processes associated with the development of the statement of intent:

  The Community Services Strategy as a process has itself been criticised by the community services sector ... In particular criticism has been levelled at the perceived failure to negotiate and/or inform the broader sector of the intended processes, the limited dissemination of any substantive content (of associated documentation) and the short timelines ... it is clear that concerns about the process of the strategy have the potential to undermine the objectives of the strategy ... the perceived lack of (a negotiated) process fuels doubt about the government commitment to improving the broader environment in which the community service sector operates.\footnote{638 Ibid, p. 15}

- that bipartisan political support should be sought for the policy; and
the high level policy statement should address the: inappropriate imposition of market principles (including) competitive tendering, purchaser-provider split and associated notions of individual rather than social responsibility, on the community services sector.

A consultation paper entitled Strategic directions: investing in Queensland’s community services was released in September 1999 and the final statement of intent was published in April 2000.\textsuperscript{639}

The partnership statement outlines a vision for the Queensland community services system, ten principles to guide the partnership between community service providers (Government and non-government) and roles and responsibilities of Government and community service providers. The principles contained in the statement are set out in the exhibit below.

\textbf{Exhibit 12.1: Principles contained in the Queensland Statement of Partnership between the Government and community services organisations}\textsuperscript{640}

\begin{quote}
\textbf{Quality service provision}
Community service providers should respond effectively, efficiently and equitably to community need and comply with all relevant industry standards and legislative requirements. Collaboration, co-operation, networking and co-ordination between all parties involved in providing community services should be recognised and supported.

\textbf{Interdependence}
State and Local Government, and non-government community service providers have distinct but complementary roles and responsibilities in developing public policy and delivering community services.
\end{quote}

\textsuperscript{639} Community Services Strategy Secretariat, Department of Premier and Cabinet, Queensland, April 2000, \textit{A Statement of Partnership between Government and community services}, Community Services Strategy

\textsuperscript{640} Ibid, pp. 3-4
Exhibit 12.1 (continued):

**Independence and autonomy**
The role of community service providers in activities outside those funded by State Government, includes the development of innovative service responses and the right, within the law, to publicly comment on, or challenge State Government policy and practice, and lobby when necessary.

**Consumer participation**
Consumers should be resourced and supported to advocate on issues and participate in policy and decision making processes that affect them.

**Recognising Volunteers**
Volunteers contribute significantly to the sustainability of community services and communities. The rights, roles and responsibilities of volunteers, including management committees, must be recognised, especially through effective management and the provision of training and support.

**Recognising paid workers**
The rights, roles and responsibilities of paid workers must be recognised by just remuneration, effective management, fair industrial practice and access to training and development opportunities.

**Meaningful communication**
Communication should be two-way, open, direct and timely, supported by structures that facilitate ongoing dialogue on all matters relating to community service delivery. This includes planning, policy development, program and organisational reviews.

**Accountability for public funds**
Community service providers are accountable for public funds in their care. Outcomes for Government funded community services should be identified and negotiated in a collaborative manner, recognising the contribution community services make to achieving broader Government objectives.
Valuing diversity
Diversity is an essential characteristic of the community services sector. In the context of improving consumer outcomes, there is a need to support and promote diversity within the sector. This includes recognising the particular needs of rural and remote communities.

Recognising Aboriginal and Torres Strait Islander peoples
The cultural diversity and rights of Aboriginal and Torres Strait Islander peoples to self-determination and self-management is respected and valued.

Three measures to facilitate and monitor the implementation of the partnership statement were proposed in the 1999 consultation paper – a structure with both Government and non-government members, the development of a series of codes of practice or protocols and annual reports by Departments to provide information on outcomes. However it is unclear, at present, how the statement will be implemented in a practical sense.

The Committee also understands that responsibility for the Community Services Strategy was transferred from the Department of Premier and Cabinet to the Department of Families as of February 2001.

12.4.2 Other Australian jurisdictions
There has not been a commitment at Commonwealth level, as in the case of England and Canada, to develop a partnership between the Commonwealth Government and non-government sector. The

---

641 Department of the Premier and Cabinet, Queensland 1999, Strategic directions: investing in Queensland’s community services, Consultation paper, September, p. 15
642 Ms S Watters, Director, Queensland Council of Social Service, personal communication, 12 May 2000
643 Department of Families, Queensland Government, The Community Services Strategy Industry Plan: Background Information for Consultants, p. 2
Final Report of the Reference Group on Welfare Reform affirms the important role of communities and promotes the concepts of social partnerships between business, Government and community organisations and mutual obligations.\textsuperscript{644} However, it is unclear how such concepts will be made operational. The Australian Council of Social Service (ACOSS) has stated that a more strategic approach to welfare reform requires agreement about the respective roles and contribution of both the non-profit community welfare sector and Governments in achieving shared goals and about the principles, commitments and undertakings that underpin the relationship.\textsuperscript{645} ACOSS believes that such an agreement could take the form of a compact or framework for relationships and reform which would document shared goals and principles. More recently, a joint statement by national peak community and consumer organisations, charities and church welfare organisations was released in October 2001, calling on major political parties to commit to a renewed relationship with the community services sector.\textsuperscript{646}

At the State Government level, both New South Wales and the Australian Capital Territory\textsuperscript{647} have undertaken consultations on government compacts with non-government organisations and the community sector respectively. The initial consultations in NSW, conducted in 2000, considered:\textsuperscript{648}

- the potential overarching role of a compact to support a positive working relationship between the Government and community organisations; and
- how day-to-day working relationships should be managed to optimise outcomes for the community and also meet accountability objectives.

\textsuperscript{645} ACOSS, 1999, Common cause: relationships and reforms in community services, pp. 39-40
\textsuperscript{646} Renewing Relationships between the Federal Government and the Community Services Sector, Source: www.acoss.org.au/info/2001/311.htm
\textsuperscript{647} ACT Government, October 2000, Background Briefing: an ACT Compact on relationships between the Government and Community Sectors
\textsuperscript{648} Success Works, undated, Relationships between the NSW Government and non-government organisations: Consultation Discussion Paper
The consultations in NSW were conducted in the context of a capacity building project for non-government organisations and a grants administration review. The Committee understands that, in May 2001, the NSW Government was still considering the conclusion of a memorandum of understanding between the State Government and the NGO sector, covering roles, responsibilities and relationships. 649 A paper has subsequently been prepared by the Cabinet Office for consideration by peak organisations. It is expected that, at the end of November, the peak organisations will meet again with the Cabinet Office and a negotiation process will be put in place. 650

In South Australia, a framework for the relationship between the Department of Human Services (SA) and non-government community service providers – Working Together – has been developed. 651 The document was agreed to by the South Australian Council of Social Service and the Department of Human Services (SA). The agreement contains shared principles that underpin the relationship, clauses on specific issues and means for implementation. Some of the issues the framework addresses include performance monitoring, developing Government and sector skills in contract management, contracting, the role of peak bodies and the distribution of resources. A Department of Human Services (SA)/Peaks Forum has been established to facilitate the discussion of matters of mutual interest and development opportunities.

In contrast a Partnerships Project, has been undertaken in Tasmania for the last three years to build the relationship between the community sector and the Department of Health and Human Services through a series of forums rather than the development of a compact agreement.

649 Moore G Project Director, Strengthening Local Communities Strategy, NSW Premier’s Cabinet, 31 May 2001, Building NGOs – Building Communities, Capacity building for NGOs
650 Mr G Moore, NSW Premier’s Department, personal communication, 9 November 2001
651 Department of Human Services (SA) and SACOSS, undated, Working Together
12.5 Developments in Victoria

This section will examine four aspects of the development of a partnership agreement in Victoria:

- the views of non-government organisations;
- the views of the Department of Human Services;
- the attempt to develop a coordinated government partnership agreement with the non-government sector; and
- recommendations relating to furthering the partnership concept in Victoria.

12.5.1 Issues raised by non-government organisations

The evidence received by the Committee from service providers was supportive of the development of a partnership agreement with the Department of Human Services and the Government. However, few submissions contained details of the nature, scope and process by which such an agreement could be developed and implemented. This is not surprising given that the concept of partnership is relatively new in the context of human services.

However, providers did indicate to the Committee their key expectations regarding the development and implementation of a partnership approach to human services in Victoria. There was a strong view in the sector that the starting point for the process of redefining the relationship between the parties should be the development of a document reflecting the partnership relationship. For example, MacKillop Family Services advised the Committee that:

The funding and service agreement needs 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 service organisations, and
on the other hand, see community organisations striving to understand and work co-operatively with Government within the agreed common goals of the partnership relationship.652

Likewise the Children’s Welfare Association of Victoria argued that:

The key partnership between Government [the Department] and service providers must be based upon an agreed compact and mutually respected, open and transparent processes. A ‘Compact of Understanding’ should be negotiated and documented to express this relationship. An important element of the relationship must be government and departmental respect for the independence of community service organisations that are funded by the Community Care Division.653

The sector also emphasised that any developments towards a partnership approach should adopt a broad perspective and not be confined to issues regarding funding and service agreements alone. For example, VCOSS stated that:

... around Australia and around the globe, community service reform and development has been looking at a huge number of big picture issues, such as new forms of benchmarking, planning, costing and funding and the development of IT and infrastructure.654

Professor Carter, in evidence to the Inquiry stated that:

In my view it [partnership] means a considered audit of what the parties in any kind of consortium are offering to the task or the enterprise or the organisation. In that sense I have come to understand it from both the non-government and the Government side as being much more than providing money as resources. The resources that go into a partnership are certainly fiscal – and many things cannot happen without a fiscal partnership – but they are much more than that.655

652 MacKillop Family Services, submission no. 121, p.6
653 Children’s Welfare Association of Victoria, submission no. 145, p. 5
654 Ms D Fifer, Chief Executive Officer, Victorian Council of Social Service, transcript of evidence, 24 August 2000, p. 14
655 Professor J Carter, Deakin University, transcript of evidence, 20 November 2000, p. 423
A number of service providers expressed the view that the partnership relationship between the sector and the Government should be based on:

- shared goals and directions and mutual respect;\textsuperscript{656}
- cooperative working relationship between the service provider and the Department;\textsuperscript{657}
- a clear vision developed between the Department and the community sector about how the service system should evolve, so that the community, health and welfare needs are met;\textsuperscript{658}
- The Council of Intellectual Disability Agencies emphasised the issues of interdependence, a feature of compacts developed in overseas jurisdictions:
  
  "... there is an interdependence across the service system, which really cannot be ignored, and means that there is a shared responsibility. Now, that shared responsibility and interrelatedness really makes essential a partnership based on shared vision and appropriate collaboration and planning and development. Such partnerships should also be based on recognition of and respect of the roles of the parties to that partnership.\textsuperscript{659}

Service providers emphasised that negotiation and genuine consultation/dialogue is crucial to the partnership relationship, particularly in relation to service planning and service agreements. This issue is discussed in detail earlier in this report. While service providers welcomed the increased opportunities to be consulted by the Department of Human Services, they pointed out that significant progress was still required with respect to the service agreement process. This was referred to by Jesuit Social Services:

\textsuperscript{656} Jesuit Social Services, submission no. 38, p. 2  
\textsuperscript{657} UnitingCare Community Options, submission no. 48, p. 3  
\textsuperscript{658} Bethany Family Services, submission no. 78, p. 4  
\textsuperscript{659} Ms S Jackson, Executive Officer, Council of Intellectual Disability Agencies, transcript of evidence, 8 November 2000, p. 362
There has been much more open discussion. We would certainly have to say that the flavour and nature of the relationship has change dramatically. In other words, we are a lot more involved in consultation and discussion not only with the Department of Human Services but also with other government departments. The environment is now much more favourable to discussion and dialogue, and people are genuinely wanting to know about and are taking into account our views on initiatives. There has been a change, but the service agreement process has not changed at all.660

It is also clear from the evidence taken by the Committee that consultation and dialogue between parties is only part, albeit a significant component, of a partnership.

12.5.2 Development of a co-ordinated government partnership agreement

VCOSS advised the Committee that it wrote to the Premier after the election to affirm its commitment to the publicly stated position of partnership that the Bracks Government was promising between the Government and non-government organisations.661 VCOSS also welcomed the opportunity to continue working on the development of a compact memorandum of understanding on partnerships, work that had commenced under the previous Government.

A reference group, that according to VCOSS was not deemed to be representative, with a short life span, was established in the Department of Premier and Cabinet, to begin devising a process (not an outcome) to develop a partnership agreement. VCOSS advised that the reference group was to have only a limited life and then a process would be undertaken whereby the sector could negotiate with the Government a mutually acceptable outcome in a policy statement on partnerships and, in that context, work on issues such as sector development and service agreement

660 Mr D Murray, Policy Director, Jesuit Social Services, transcript of evidence, 6 December 2000, p. 441
661 Ms D Fifer, Chief Executive Officer, Victorian Council of Social Service, transcript of evidence, 19 October 2000, p. 260
contracts. However, VCOSS highlighted its concerns about the process:

Unfortunately during this year [2000] we have seen that particular process being diverted to a number of other ends. We believe that has been because the government did not have an articulated policy on partnerships and, more importantly, the Department of Human Services did not have an articulated policy on partnerships. What tended to happen was that that process we set up to negotiate a partnership arrangement was then diverted to other ends, and unfortunately the sector was used almost as a pawn in that process. As an unintended rather than a deliberate consequence, the good faith that we began with was definitely eroded. The reference group developed a draft paper on partnerships and the way forward, and that was the last paper that reference group ever saw. The promised consultation never began.  

Although the Committee sought advice from the Department's then Director of Community Care in September 2000 regarding the progress of the working party, the Director could not confirm whether the work had been completed or finished. The Director advised that a coordinated Government approach to developing a partnership with the non-government sector would be a positive step:

... there is no point in us all doing it [developing a partnership statement] differently, just as there is no point in community care thinking about partnerships separately from a whole-of-department framework. Agencies must feel consistency; that is one of the things agencies have raised with us. They do not like the way in which the department has operated in the past as a series of almost individual sub-departments ...

VCOSS subsequently advised in March 2001 that the sector was spending some time deciding the type of partnership document it

---

662 Ibid, p. 260
663 Ms M Wagstaff, Director, Community Care Division, Department of Human Services, transcript of evidence, 26 September, 2000, p. 147
664 Ibid, p. 147
wants. The Victorian community sector working group subsequently finished drafting a statement entitled Partners in Community: The Victorian State Government and the Victorian Community Sector. The draft statement outlines shared understandings, values and vision; undertakings by the Victorian community sector to the partnership; and measures to ensure the statement is made operational. The undertakings by the community sector are:

- maintain high standards of governance and ethical conduct and meet agreed reporting and accountability obligations to financial contributors and community members and, where applicable, observe the relevant accounting standards for community organisations;
- actively and constructively participate in reviews initiated by the Victorian Government in recognition of the partnership;
- contribute a perspective to policy that reflects community views, needs and values;
- work with integrity when representing community policy perspectives, by using appropriate consultative processes and always respecting client confidentiality;
- promote the importance of striving for the highest quality of service standards and work on continuous improvement in service provision;
- continue to support volunteers and increase community participation and involvement, particularly when shaping policy, programs and services; and
- foster an active and responsive community sector, promoting cooperation within the sector, working together to achieve our shared goals.

---

665 Ms D Fifer, Chief Executive Officer, Victorian Council of Social Service, transcript of evidence, 6 March 2001, p. 543
666 Ms D Fifer, Chief Executive Officer, Victorian Council of Social Service, personal communication, 9 November 2001
667 Ibid
The statement also contains a ‘preferred’ set of commitments by the Victorian Government to the partnership, drafted by the Victorian Community Sector Working Group. The Premier asked the Honourable Bronwyn Pike, MP, the Minister assisting the Premier on Community Building, to oversee the Government’s involvement with respect to this process.668

12.5.3 Development of a partnership agreement between the Department of Human Services and non-government organisations

The Department advised in its first submission to the Inquiry that several measures had been introduced to change the culture within the organisation, including:

- the training of 200 staff in the meaning and practice of partnerships and contractual arrangements;669
- the establishment of new collaborative review and consultative mechanisms; and
- the commencement of work on a ‘charter’ for the way the Department relates to the service system as a whole and to individual service providers.670

The first submission noted that the Victorian Government was engaged in a consultative process to determine its future approach to many of the issues raised by the Committee’s terms of reference, in particular:671

- defining what a partnership rather than purchaser/provider paradigm means for the relationship between Government and the non-government sector; and

---

669 The half-day outline of the Managing Partnerships and Contractual Arrangements with Service Providers Overview course, identifies the critical success factors in partnership management as focus on outputs and outcomes, awareness of risks, collaborative relationship approach, thorough planning, good documentation and good communication Source: Training Plan for Managing Partnerships and Contractual Arrangements with Service Providers in the DHS
670 Department of Human Services, submission no. 156, p. 7
671 Ibid, p. 25
expressing the new partnership paradigm in the way Government plans, funds and monitors health and community services.

A consultancy was also commissioned to formulate a partnership approach that the Department could consider adopting. The consultant's report - Government and Community Sector Partnership in Victoria - was completed in August 2000. The report defines partnership as:

... a collaborative arrangement between Government and the Community Sector, based on mutual respect and acknowledgement of the different and complementary roles and responsibilities, aimed at achieving agreed outcomes for individuals, families and communities. It is based on the concepts of reciprocity and continuity.

The paper outlines the benefits of a partnership and a set of principles that might form the basis for discussion and negotiation of a partnership agreement. The Committee notes that eight of the ten principles that form the Queensland Statement of Partnership between Government and Community Services, have been included in the Success Works report. The principles are as follows:

- focus on outcomes for clients and communities;
- quality service provision;
- autonomy and independence;
- consumer/client contribution and participation;
- interdependence;
- respectful relationships;
- recognition of volunteer involvement;
- consultation and communication;
- accountability for the use of public funds;

---

672 Success Works, August 2000, Government and Community Sector in Victoria, p. 3
673 Ibid, p. 3
• recognition of the limited nature of public funds;
• fairness in allocation of funds; and
• valuing diversity.

The report states that development of a partnership agreement should be a collaborative process which models the approaches that will be used in future negotiations and sets the scene at the highest level for the way in which relationships will develop on the ground. The types of issues that may be included in the agreement and elements that would contribute to a sound and inclusive process are outlined:

• development of a statement of intent that articulates the shared vision, goals and principles to shape and direct the relationship;
• finding a common voice for the community sector which will speak on behalf of the variety of interests, as a number of peak bodies would claim to represent major aspects of the sector;
• a process of extensive and intensive consultation with the sector and with relevant Government Departments to ensure issues are raised and addressed;
• ministerial and departmental leadership will be required to ensure that all levels of Government are listening to and consulting with the sector;
• establishment of a high level Joint Planning and Implementation Group with representatives from both sectors to move the concept forward;
• establishment of departmental Working Groups to consider the practical issues implied in a partnership including funding arrangements, consultation mechanisms, accountability arrangements, negotiation processes, ways of involving the community sector in regional and statewide planning and policy development;

674 Ibid, p. 7
675 Ibid, pp. 11-12
• capacity building for the sector;
• development of consultative mechanisms at the central level within and between particular program areas and at the regional level around integrated intersectoral service delivery approaches; and
• creation of a mechanism to deal with conflicts and disagreements.

In its second submission, the Department of Human Services advised the Committee that it is committed to exploring specific initiatives to give effect to a new relationship with service providers based on partnership principles. However, the Committee was unable to establish the status of the Department’s proposals. The key initiatives outlined by the Department are:

(a) Development of a partnership agreement

The Department plans to conduct a forum of community organisations and departmental program areas to agree on a set of principles that will form a partnership agreement. The Department will work with the sector to agree on a format and mutually accepted independent convenor for the forum. The second submission contains a set of principles (from the Success Works Report) designed as the basis for discussion with the sector and negotiation of the partnership agreement.

(b) Establishment of a Department-wide consultative mechanism

The Department proposes to establish a Department-wide consultative mechanism comprising members of major peak bodies and a selection of grassroots providers. This consultative mechanism is expected to support the development of the partnership agreement, act as a reference group for the development of an industry plan and advise on issues such as service planning and business process improvements.

---

676 Department of Human Services, submission no. 161, p. 15
677 Ibid, p. 18
678 Ibid, p. 19
The Department’s second submission reiterates the importance of a coordinated Government approach to partnership:

The Department recognises that the community agencies it funds also have dealings with other State Government agencies, and that a partnership covering the whole-of-government is to be developed. The proposed Compact between the Department of Human Services and community sector agencies will need to be framed within this wider context.679

12.5.4 Furthering the partnership concept in Victoria

The Committee commends the preliminary initiatives of the Community Sector Partnerships Working Party (convened by the Department of Premier and Cabinet and VCOSS nominees), the Victorian community sector’s development of a statement of partnership and the Department for affirming its commitment to developing a partnership agreement in the context of a Victorian Government process. The Committee is of the view that many benefits may stem from the formulation of an overarching partnership agreement between the Government and non-government organisations in Victoria.

It is not the task of the Committee to specify or define a process forward or determine the content of such an agreement in the Victorian context. The evidence discussed above clearly indicates that both the process and content of an agreement should evolve from extensive negotiation and consultation between the relevant parties. There is a substantial amount of material and experience from other jurisdictions for the parties to draw on, as is evident from the earlier sections of this chapter. However, it is also important to point out that the notion of partnership statements, accords or compacts is at an early stage of development and that the impacts of such agreements are not well understood.

It is also evident from the initiatives undertaken in Victoria that substantial work is required to ensure that the Government, the

679 Ibid, p. 16
Department of Human Services and service providers all recognise that their relationship requires review and that there are benefits in formulating a partnership agreement. For example, the National Council for Voluntary Organisations in England noted that the Prime Minister, Tony Blair, indicated a willingness in Government to understand that the development of the compact was not about giving up power, but a way of furthering good governance and also understanding the limits of traditional Government.  

Nevertheless, the Committee considers that there are several issues that should be considered in the process of formulating a partnership agreement in Victoria. These are discussed in the following sections.

(a) Co-ordinated Government approach

The development of an effective partnership framework is dependent on a coordinated government approach, to ensure uniformity and equity in the Government’s dealings with the sector and the community. On the Government’s part, this requires that various Departments co-operate and participate in the development process. To achieve such co-operation, political ownership and leadership, and support from the highest levels within administration is essential. The process also needs to be organised by a central agency to ensure a co-ordinated Government focus, and to facilitate the development process in a timely manner.

The United Kingdom and Canadian experiences point to the significance of such an integrated approach. In the United Kingdom, the Government was represented in the process by a working party comprising eleven Ministers of Departments that deliver services to the community. The process was co-ordinated centrally by the Cabinet Office. The Ministerial working party was supported by an inter-departmental group of officials.

680 Getting it right together? December 1999, Social Perspectives, p. 11
In Canada, a reference group of Ministers is supported in the development process by a central steering group comprising representatives from 22 Departments that deliver services to the community. The process is co-ordinated centrally by the Privy Council Office.

Similarly, the Queensland Government has taken a co-ordinated government approach to redefining its relationship with the sector with the Department of Premier and Cabinet having taken a lead role in the process.

The Committee did not find evidence of such a co-ordinated government approach to the partnership process in Victoria. While there are references to a forum constituted by the Victorian Council of Social Service and sponsored by the Department of Premier and Cabinet to undertake preliminary research into the process of developing a partnership framework, and references by the Department of Human Services’ officers to the proposed partnership agreement being framed within the context of the wider ‘whole-of-government’ partnership agreement,\(^{681}\) the Committee does not have information on the current status of the forum, or its progress towards developing a government-wide partnership framework.

\(^{681}\) Ms M Wagstaff, Director, Community Care Division, Department of Human Services, transcript of evidence, 26 September 2000, p. 16
Accordingly, the Committee recommends that:

**Recommendation 12.1:**

The Government give a high priority to reviving its co-ordinated government partnership initiative to develop a uniform partnership framework applicable to all Departments that provide or fund community, health and welfare services in Victoria.

A well-organised and resourced voluntary sector has played a key role in the successful development of a framework in the United Kingdom and Canada. Due to the manner in which the sector is organised in these countries, it was able to take an independent lead role along with the Government in contributing to the development process. The Canadian voluntary sector has adopted a robust and independent process to select members to represent the voluntary sector in the initiative, and has developed clearly defined roles and responsibilities and ethical guidelines for sector members on joint panels.

One of the reasons that the Community and Voluntary Sector Working Party has recommended against the development of a partnership agreement in New Zealand is because there was no clear consensus across iwi/ Maori, voluntary and community organisations that they constitute a single sector, and it was not clear how such a broad collection of individual organisations could manage the process of negotiating a formal agreement that would be binding on everyone. The Working Party has recommended that more work needs to be done to develop a clear set of collective or umbrella structures through which the community sector could come together to agree on a single formal agreement, and that the Government of New Zealand should invest in promoting ways for the sector to develop such structures.

---

This highlights two important issues needed for the Victorian effort to succeed. The first issue is the need for the community services sector in Victoria to decide on a participatory framework for the sector to speak as a united and cohesive voice in the development process. Issues such as representation of the sector on working parties and joint panels, roles and responsibilities of sector representatives, their obligations in consulting with the wider sector membership also need to be addressed. As overseas experience suggests, peak bodies will play a crucial role in the development process.

(b) Resourcing the community services sector

The second issue is for the Government to resource the community services sector, including peak bodies, to enable the sector to participate in a meaningful way in the development of the partnership framework. There has to be a clear understanding between the sector and the Government on the purpose and extent of consultation, expectations on dissemination and feedback of information, and realistic timeframes for feedback and input. This is particularly relevant, given the information the Committee has received from VCOSS:

A number of reforms are happening simultaneously; whether it be data collection, funding agencies or service agreements, they all seem to be happening in parallel without any link and their links to the sector are very diffuse. ... So there is a huge point of mismatch of Department of Human Services processes with how the sector works and the Department needs to work on consultation.683

683 Ms D Fifer, Chief Executive Officer, Victorian Council of Social Service, transcript of evidence, 6 March 2001, p. 537
Accordingly, the Committee recommends that:

Recommendation 12.2:
The Government resource the community services sector to enable it to achieve effective participation in the development of the partnership agreement.

The development of a partnership agreement in itself may have little impact on the working relationship between the Government and the sector. Its successful implementation will be dependent on the publication and dissemination of detailed guidelines in operational areas such as funding and consultations to strengthen and clarify the relationship.

In addition, the process in England shows that training and information on how to use the partnership agreement are important aspects of implementation. Despite efforts by both the sector and the Government to disseminate information about the compact, a review after the first year of implementation has shown that awareness of the compact is variable among Government Departments.\(^{684}\)

Accordingly, the Committee recommends that:

Recommendation 12.3:
The Department of Human Services, in the context of the Government’s partnership agreement:

(a) formulate guidelines for its implementation and develop a code of practice for operational areas such as funding, consultation and service agreements;

---

\(^{684}\) Ibid, p. 2
(b) take measures to ensure that this information is widely circulated within its Divisions and Regional Offices; and

(c) organise staff training in the use of the partnership agreement.

The importance of committing financial resources to the success of the development process should not be overlooked. The Canadian and United Kingdom framework development processes have had substantial financial assistance from the Government because of the comprehensiveness of the reforms.

Similarly, the New Zealand Government has allocated funds to support the Government constituted Community and Voluntary Sector Working Group during the first two years of its operation. While the Victorian Government announced a significant financial commitment towards its policy initiatives for a stronger service sector,\(^685\) it is not clear whether the Government and the Department of Human Services have allocated, or propose to allocate, funds specifically for the partnership framework development process.

It is also evident from experiences in other jurisdictions that partnership statements are developed in the context of broader reforms addressing ‘big-picture’ issues. In this regard, the United Kingdom and Canadian reform processes highlight the need to adopt a holistic approach in developing a new framework for the delivery and management of human services. Issues such as sector capacity building, long-term plans, participatory framework, training and human resource development, information technology and funding framework are being considered as part of the wider partnership framework.

\(^{685}\) Department of Human Services 1999, *Victoria’s Children, Youth and Families: Toward a Better Future for Communities – Bridging the Great Divide*, Speech by Hon C Campbell, MP, then Minister for Community Services, p. 7
The developments in the United Kingdom and Canada were also underpinned by extensive research into existing services, community needs, and the community service sector and access to significant research and development funds to undertake the research. The importance of such empirical research was stressed in research into Queensland's community services:

To develop a largely fragmented sector into an industry requires a significant boost in Research and Development Funds. The aim of such research would not be about coming up with 'one model to suit all forms of community services', but rather as a way of providing the resources that different communities and service providers need in adapting to the rapidly changing political, social and funding environment. This research would be an investment in promoting good practice and developing good policy.686

Accordingly, the Committee recommends that:

**Recommendation 12.4:**

The Government and the Department of Human Services commit funds and resources to the development of the partnership agreement.

**Review process**

The United Kingdom process includes a robust, ongoing, annual joint review process to assess the implementation of the compact. The sector and the Government conduct their respective annual surveys of voluntary sector organisations and Government Departments, on the effectiveness of the compact and the codes of good practice and present their reports at an annual meeting to review progress on the compact. Voluntary sector and Government plans for improvement and changes in strategy are informed by the report of this meeting. The report is published. The review process is a good example of the community sector-Government partnership in practice. The transparency of the

---

review process provides an avenue for the sector and Government to jointly improve the implementation of the compact and the codes, and promotes accountability. The process also stresses the mutual obligation that both parties have to ensure the success of the partnership framework.

Accordingly, the Committee recommends that:

**Recommendation 12.5:**

(a) A comprehensive review process be designed with service providers to assess the implementation and effectiveness of the partnership agreement;

(b) The review process provide opportunities for adequate feedback from stakeholders and for clear targets and milestones to be achieved; and

(c) The results of the review/survey should be published and tabled in the Victorian Parliament to ensure transparency of the process.

12.6 Conclusion

The Public Accounts and Estimates Committee previous Inquiry into Outsourcing of Government Services in the Victorian Public Sector found that:

For most of its activities, the Department [of Human Services] was unable to provide the Committee with an assessment of the total savings derived by the Department through the outsourcing program.\(^{687}\)

This Inquiry has raised similar fundamental questions relating to the role of government in the human services sector, the merits of direct versus non-government organisation service provision, and the level of Government funding and its impact on non-government organisation service provision.

Furthermore, the Committee expresses concern that the details and completion dates of several important Department of Human Services' reviews, policies, plans and agreements were unclear. The Department, in its evidence to the Committee, indicated it was undertaking the following:

- Community Sector Support and Development Framework Industry Plan;
- Rural and Regional Human Services Strategy (timeline for completion – September 2001);
- review of equity funding formula (Aged, Community and Mental Health Division);
- charter for the way in which the Department of Human Services relates to the service system as a whole and to individual service providers; and
- Department-wide consultative mechanism comprising members of major peak bodies and a selection of grass-roots providers.

The Committee also acknowledges the Department’s observation that it will take some time before the Department of Human Services processes and culture fully match the consultative and collaborative approach envisaged by the Government.

The Committee is of the view that the implementation of its recommendations will lead to significant improvements to service delivery and the relationship between the Department of Human Services and service providers.
## APPENDIX 1: SUBMISSIONS RECEIVED

<table>
<thead>
<tr>
<th>Name of individual / organisation</th>
<th>Submission number</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACROD Victoria</td>
<td>144</td>
</tr>
<tr>
<td>Anglicare Victoria</td>
<td>135</td>
</tr>
<tr>
<td>Association of Neighbourhood Houses and Learning Centres Inc.</td>
<td>146</td>
</tr>
<tr>
<td>Australian Aids Fund Inc.</td>
<td>32</td>
</tr>
<tr>
<td>Australian Drug Foundation</td>
<td>43</td>
</tr>
<tr>
<td>Australian Huntington’s Disease Association (Vic)</td>
<td>114</td>
</tr>
<tr>
<td>Australian Kidney Foundation</td>
<td>7</td>
</tr>
<tr>
<td>Australian Red Cross Blood Service</td>
<td>118</td>
</tr>
<tr>
<td>Australian Vietnamese Women’s Welfare Association</td>
<td>143</td>
</tr>
<tr>
<td>Autistic Citizens Residential &amp; Resources Society of Victoria Inc.</td>
<td>52</td>
</tr>
<tr>
<td>Balmoral Bush Nursing Centre Inc.</td>
<td>53</td>
</tr>
<tr>
<td>Banyule City Council</td>
<td>127</td>
</tr>
<tr>
<td>Banyule Community Health Service Inc.</td>
<td>116</td>
</tr>
<tr>
<td>Bays Hospital Group</td>
<td>1</td>
</tr>
<tr>
<td>Bellarine Peninsula Community Health Service</td>
<td>89</td>
</tr>
<tr>
<td>Bendigo Health Care Group</td>
<td>77</td>
</tr>
<tr>
<td>Bendigo Regional Institute of TAFE</td>
<td>56</td>
</tr>
<tr>
<td>Berry Street Inc.</td>
<td>29</td>
</tr>
<tr>
<td>Bethany Family Support</td>
<td>78</td>
</tr>
<tr>
<td>Bethlehem Hospital Inc.</td>
<td>137</td>
</tr>
<tr>
<td>Better Hearing Australia, Victoria Inc.</td>
<td>57</td>
</tr>
<tr>
<td>Biala Peninsula Inc.</td>
<td>30</td>
</tr>
<tr>
<td>Brimbank City Council</td>
<td>92</td>
</tr>
<tr>
<td>Caladenia Day Centre Inc.</td>
<td>64</td>
</tr>
<tr>
<td>Carer Respite Centre</td>
<td>60</td>
</tr>
<tr>
<td>Carers and Parents Support Group Inc.</td>
<td>88</td>
</tr>
<tr>
<td>Carers Victoria</td>
<td>160</td>
</tr>
<tr>
<td>Name of individual / organisation</td>
<td>Submission number</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Caroline Lodge (M.H.W.H.) Collective Inc.</td>
<td>11</td>
</tr>
<tr>
<td>Castlemaine District Community Health Centre</td>
<td>75</td>
</tr>
<tr>
<td>Catholic Social Services</td>
<td>159</td>
</tr>
<tr>
<td>Centacare Catholic Family Services</td>
<td>46</td>
</tr>
<tr>
<td>Central Bayside Community Health Services</td>
<td>101</td>
</tr>
<tr>
<td>Children’s Welfare Association of Victoria</td>
<td>145</td>
</tr>
<tr>
<td>Christie Centre Inc.</td>
<td>35</td>
</tr>
<tr>
<td>City of Glen Eira</td>
<td>31</td>
</tr>
<tr>
<td>City of Kingston</td>
<td>102</td>
</tr>
<tr>
<td>City of Melbourne</td>
<td>139</td>
</tr>
<tr>
<td>City of Moonee Valley</td>
<td>125</td>
</tr>
<tr>
<td>City of Port Phillip</td>
<td>148</td>
</tr>
<tr>
<td>City of Whitehorse</td>
<td>33</td>
</tr>
<tr>
<td>City of Whittlesea</td>
<td>83</td>
</tr>
<tr>
<td>City of Yarra</td>
<td>142</td>
</tr>
<tr>
<td>Cobaw Community Health Service</td>
<td>130</td>
</tr>
<tr>
<td>Connor House Respite Care Service Inc.</td>
<td>65</td>
</tr>
<tr>
<td>Council for the Disabled</td>
<td>98</td>
</tr>
<tr>
<td>Darebin City Council</td>
<td>129</td>
</tr>
<tr>
<td>Deafness Foundation of Victoria</td>
<td>21</td>
</tr>
<tr>
<td>Deakin University</td>
<td>18</td>
</tr>
<tr>
<td>Deans Marsh Community Cottage Inc.</td>
<td>3</td>
</tr>
<tr>
<td>Department of Human Services (two submissions)</td>
<td>156 and 161</td>
</tr>
<tr>
<td>Disability Advocacy &amp; Information Service</td>
<td>155</td>
</tr>
<tr>
<td>East Gippsland Shire Council</td>
<td>108</td>
</tr>
<tr>
<td>East Wimmera Health Service</td>
<td>95</td>
</tr>
<tr>
<td>Eastern Access Community Health</td>
<td>115</td>
</tr>
<tr>
<td>Eastern Volunteer Resource Centre</td>
<td>44</td>
</tr>
<tr>
<td>Epilepsy Foundation of Victoria Inc.</td>
<td>103</td>
</tr>
<tr>
<td>Family Access Network</td>
<td>85</td>
</tr>
<tr>
<td>Financial and Consumer Rights Council Inc.</td>
<td>100</td>
</tr>
<tr>
<td>Gannawarra Shire Council</td>
<td>69</td>
</tr>
<tr>
<td>Golden Plains Shire</td>
<td>13</td>
</tr>
</tbody>
</table>
### Name of individual / organisation | Submission number
--- | ---
Good Shepherd Youth and Family Service Inc. | 128
Hawthorn Community Education Project Inc. | 86
Headway Gippsland Inc. | 68
Health Services Commissioner | 10
Horsham Rural City Council | 147
Indigo Shire Council | 15
Infertility Treatment Authority | 6
Inner East Mental Health Services Association | 107
Interchange Victoria Respite Care Association | 79
Interchurch Chaplaincy Committee of Victoria | 36
Jeshimon House | 42
Jesuit Social Services | 38
Joan's Place Women's Refuge Inc. | 74
Kalparrin Early Intervention Program | 152
Kyabram & District Memorial Community Hospital | 94
Kyabram Community & Learning Centre Inc. | 124
La Trobe University | 37
Leighmoor Adult Day Care Centre | 25
Lockington & Distrist Bush Nursing Home | 22
Macedon Ranges Shire Council | 73
MacKillop Family Services | 121
Mallee Family Care | 84
Manningham City Council | 17
Marillact House Limited | 23
Maroondah City Council and Monash City Council | 61
Melbourne Citymission | 71
Merrimu Adult Training and Support Service | 45
Minister for Aboriginal Affairs | 157
Mirridong Services Inc. | 41
MOIRA (Southern Metropolitan Regional Disability Respite Reference Network) | 50
Moorfields Community | 93
Moyne Shire Council | 26
<table>
<thead>
<tr>
<th>Name of individual / organisation</th>
<th>Submission number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mulleraterong Centre Inc.</td>
<td>67</td>
</tr>
<tr>
<td>Municipal Association of Victoria</td>
<td>149</td>
</tr>
<tr>
<td>Muscular Dystrophy Association Inc.</td>
<td>27</td>
</tr>
<tr>
<td>Northern Disability Services Inc.</td>
<td>90</td>
</tr>
<tr>
<td>O’Connell Family Centre (Grey Sisters) Inc.</td>
<td>132</td>
</tr>
<tr>
<td>Peninsula Hospice Service</td>
<td>99</td>
</tr>
<tr>
<td>Peninsula Support Services Inc.</td>
<td>5</td>
</tr>
<tr>
<td>Plenty Valley Community Health Services Inc.</td>
<td>104</td>
</tr>
<tr>
<td>Portland &amp; District Community Health Centre</td>
<td>54</td>
</tr>
<tr>
<td>Positive Women Victoria</td>
<td>136</td>
</tr>
<tr>
<td>Ranges Community Health Service Inc.</td>
<td>20</td>
</tr>
<tr>
<td>Royal District Nursing Service</td>
<td>59</td>
</tr>
<tr>
<td>Mrs Margaret Ryan</td>
<td>110</td>
</tr>
<tr>
<td>School of Management, RMIT Business</td>
<td>14</td>
</tr>
<tr>
<td>Services for Deaf Children</td>
<td>82</td>
</tr>
<tr>
<td>Shire of Campaspe</td>
<td>76</td>
</tr>
<tr>
<td>South Central Region Migrant Resource Centre</td>
<td>58</td>
</tr>
<tr>
<td>South East Palliative Care Ltd.</td>
<td>47</td>
</tr>
<tr>
<td>South Gippsland Community Support Service Inc.</td>
<td>150</td>
</tr>
<tr>
<td>South Gippsland Shire Council</td>
<td>63</td>
</tr>
<tr>
<td>Southern Metropolitan Region Community Palliative Care Service Consortium</td>
<td>81</td>
</tr>
<tr>
<td>Spastic Society of Victoria</td>
<td>126</td>
</tr>
<tr>
<td>St. Margaret’s Pre-School Centre Inc.</td>
<td>131</td>
</tr>
<tr>
<td>Straight Arrows</td>
<td>34</td>
</tr>
<tr>
<td>Sunassist Volunteer Helpers Inc.</td>
<td>9</td>
</tr>
<tr>
<td>Surf Coast Shire</td>
<td>2</td>
</tr>
<tr>
<td>Taskforce Community Agency Inc.</td>
<td>153</td>
</tr>
<tr>
<td>Technical Aid to the Disabled</td>
<td>151</td>
</tr>
<tr>
<td>Central Gippsland and East Gippsland Regional Youth Committees</td>
<td>141</td>
</tr>
<tr>
<td>The Deaf-Blind Association</td>
<td>119</td>
</tr>
<tr>
<td>The Gordon Homes for Boys and Girls Inc.</td>
<td>49</td>
</tr>
<tr>
<td>Name of individual / organisation</td>
<td>Submission number</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>The International Society for Quality in Health Care</td>
<td>66</td>
</tr>
<tr>
<td>The Salvation Army Victorian State Council</td>
<td>113</td>
</tr>
<tr>
<td>The Victorian Healthcare Association</td>
<td>106</td>
</tr>
<tr>
<td>Transplant Promotion Council</td>
<td>40</td>
</tr>
<tr>
<td>Turning Point</td>
<td>154</td>
</tr>
<tr>
<td>UnitingCare Community Options</td>
<td>48</td>
</tr>
<tr>
<td>UnitingCare Connections</td>
<td>28</td>
</tr>
<tr>
<td>UnitingCare Victoria</td>
<td>138</td>
</tr>
<tr>
<td>Upper Murray Family Care</td>
<td>8</td>
</tr>
<tr>
<td>VICRAID</td>
<td>109</td>
</tr>
<tr>
<td>Victoria University of Technology</td>
<td>24</td>
</tr>
<tr>
<td>Victorian Caravan Parks Association Inc.</td>
<td>70</td>
</tr>
<tr>
<td>Victorian Continence Resource Centre</td>
<td>91</td>
</tr>
<tr>
<td>Victorian Council of Social Service</td>
<td>133</td>
</tr>
<tr>
<td>Victorian Court Information and Welfare Network Inc.</td>
<td>120</td>
</tr>
<tr>
<td>Victorian Deaf Society</td>
<td>134</td>
</tr>
<tr>
<td>Wangaratta District Base Hospital</td>
<td>96</td>
</tr>
<tr>
<td>Wattle Human Services Inc</td>
<td>19</td>
</tr>
<tr>
<td>Wellington Shire Council</td>
<td>62</td>
</tr>
<tr>
<td>Wesley Central Mission Melbourne</td>
<td>117</td>
</tr>
<tr>
<td>West Gippsland Health Care Group</td>
<td>16</td>
</tr>
<tr>
<td>Western District Health Service</td>
<td>97</td>
</tr>
<tr>
<td>Western Region Alcohol and Drug Centre Inc.</td>
<td>55</td>
</tr>
<tr>
<td>Whitehorse Community Health Service</td>
<td>111</td>
</tr>
<tr>
<td>Wingate Avenue Community Centre</td>
<td>12</td>
</tr>
<tr>
<td>Women for Sobriety (Vic)</td>
<td>105</td>
</tr>
<tr>
<td>Women’s Health Victoria</td>
<td>51</td>
</tr>
<tr>
<td>Women’s Liberation Halfway House</td>
<td>158</td>
</tr>
<tr>
<td>Woomelang &amp; District Bush Nursing Centre</td>
<td>87</td>
</tr>
<tr>
<td>Wyndham City Council</td>
<td>140</td>
</tr>
<tr>
<td>Name of individual / organisation</td>
<td>Submission number</td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Y W C A Victoria</td>
<td>112</td>
</tr>
<tr>
<td>Yarra Ranges Community Christian Care Inc.</td>
<td>80</td>
</tr>
<tr>
<td>Yarram and District Neighbourhood House</td>
<td>122</td>
</tr>
<tr>
<td>Yarrawonga Neighbourhood House Inc.</td>
<td>39</td>
</tr>
<tr>
<td>Yooralla</td>
<td>123</td>
</tr>
<tr>
<td>Zena Collective Inc.</td>
<td>72</td>
</tr>
</tbody>
</table>

* Submission no. 4 was subsequently withdrawn
APPEndix 2: LIST of INDIVIDUALS AND ORGANISATIONS WHICH GAVE EVIDENCE AT HEARINGS

9 June 2000 - Melbourne

Social Affairs Committee Parliament of New Zealand
Taito P Field, MP, Chairperson;
Ms S Bradford, MP;
Mr G Brownlee, MP;
Dr M Newman, MP;
Mrs J Pettis, MP;
Mr R Simcock, MP;
Ms B Vernon, MP;
Mr T Cooper, Clerk of the Committee; and
Mrs L Gardiner, Parliamentary Officer

24 August 2000 - Melbourne

Department of Human Services
Mr S Solomon, Director, Policy Development and Planning Division; and
Mr L Wallace, Director, Resources Division

Victorian Council of Social Service
Mr A McCallum, President;
Ms D Fifer, Chief Executive Officer; and
Ms M Webster, Board Member

Briefing by Specialist Advisers
Professor L Hancock; and
Dr A Nevile
19 September 2000 - Bendigo

Bendigo Health Care Group  Ms K Byrne, Chief Executive
Cobaw Community Health Service  Mr A Taylor, Chief Executive Officer
Department of Human Services  Ms J Snell, Manager, Partnerships and Service Planning, Loddon Mallee Regional Office, Bendigo
Macedon Ranges Shire Council  Ms A McLennan, Manager Community Services
St Lukes Anglicare, Bendigo  Mr A McCallum, Chief Executive Officer
Wattle Human Services  Mr G Fawkner, Chief Executive Officer

20 September 2000 - Echuca

Kyabram and District Memorial Community Hospital  Ms M Brockfield, Manager, Community Health Services
Kyabram Community and Learning Centre  Ms M Atkins, Chairperson; and Ms P Whipp, Acting Business Manager
Lockington and District Bush Nursing Centre  Mr C Jones, Nurse Manager
Northern Disability Services Inc.  Ms J Hope Black, Honorary President
Appendices

Shire of Campaspe  Ms J Andrews, General Manager, Community and Culture

21 September 2000 - Wodonga

Disability Advocacy and Information Service  Mr M Jarrett, Coordinator; and Ms C Ballentine, Program Development and Access Worker

Indigo Shire Council  Ms R Tai, Manager, Community Services

Upper Murray Family Care  Mr L Rumbold, Director; and Mr R Woodhouse, Board Member

Wangaratta District Base Hospital  Mr B Hansen, Finance Manager

Yarrawonga Neighbourhood House  Mrs N Wright, Chairperson; Ms H Kelly, Coordinator; and Ms D Mant, Regional Networker

Public hearing - 26 September 2000 - Melbourne

Department of Human Services  Ms M Wagstaff, Director Community Care Division; and Mr A Hall, Assistant Director, Research Planning and Budget Management

Freehills  Mr M Cooke, Solicitor

Royal District Nursing Service  Mr D Romanis, Chief Executive Officer; Mr R Alderson, Director, Asset Management; and
<table>
<thead>
<tr>
<th>Organisation</th>
<th>Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Salvation Army</td>
<td>Ms M Hamley, Director, Social Program Consultancy Unit</td>
</tr>
<tr>
<td>Queensland Department of Aboriginal and Torres Strait Islander Policy and Development</td>
<td>Mr C Orr, Manager, Strategic Services Branch; and Mr P Tool, Manager, Community Development</td>
</tr>
<tr>
<td>Queensland Health</td>
<td>Ms J Power, Manager, Statewide and Non-government Health Services</td>
</tr>
<tr>
<td>Queensland Department of Housing</td>
<td>Ms R Phillips, General Manager, Community Housing</td>
</tr>
<tr>
<td>Queensland Department of Premier and Cabinet</td>
<td>Dr C Munro, Principal Policy Officer; Ms H Gadsden, Senior Policy Officer, Community Services Strategy Secretariat; and Mr T Reddel, Manager Community Services Strategy</td>
</tr>
<tr>
<td>Queensland Treasury</td>
<td>Ms N Deeth, Assistant Under Treasurer, Community and Government Services Division</td>
</tr>
<tr>
<td>Queensland Council of Social Service</td>
<td>Ms S Watters, Director</td>
</tr>
</tbody>
</table>
Appendices

Queensland University of Technology

Associate Professor N Ryan, Director of Research and Development, Faculty of Business; and Dr K Brown, Lecturer, School of Management

University of Queensland

Dr C McDonald; and Ms D Zetlin, Faculty of Social and Behavioral Sciences

28 September 2000 - Melbourne

Centacare Catholic Family Services

Mr C Pearson, Director of Services

Mr M Grant

Peninsula Hospice Service

Ms J Hind-Roff, Acting Executive Officer

South East Palliative Care Ltd

Ms A Coy, Executive Officer

Victorian Healthcare Association

Ms M Smith, Executive Director; Ms C Elvins; and Mr G Knox

11 October 2000 - Melbourne

Berry Street Inc.

Ms S de Wolf, Chief Executive Officer

Catholic Social Services

Ms M Webster

Melbourne City Mission

Reverend R Cleary; Chief Executive Officer; and Mr J Fendyk, Director, Aged Care and Disability Services
Municipal Association of Victoria

Ms C Hargreaves, Senior Policy Adviser;
Ms C Blair, Director, Council Services, Bass Coast Shire Council; and
Mr S Antonelli, Director, Community Programs, Banyule City Council

Wesley Central Mission

Mr R Nicholls, Social Policy Officer

19 October 2000 - Melbourne

Action on Disability within Ethnic Communities

Ms L Kokocinski, Executive Director

Anglicare Victoria

Ms A Were, Operations Manager

Association of Neighbourhood Houses and Learning Centres

Ms M Clark, Executive Officer

O’Connell Family Centre (Grey Sisters) Inc.

Ms M Mant, Chief Executive Officer; and
Mr I Goldsmith, Mercy Health and Aged Care Group

South Central Region Migrant Resource Centre

Mr R Buscemi, Program Manager

UnitingCare Victoria

Rev D Pargeter, Director, Justice and World Mission; and
Ms M Leveratt, Policy Officer

Victorian Council of Social Service

Ms D Fifer, Chief Executive Officer; and Ms M Webster, Board Member
Women's Health Victoria  Ms M Beaumont, Executive Director

Women's Liberation  Ms H Kaiser, Coordinator; and
Halfway House  Ms Z Thlebane, Group Worker

8 November 2000 - Melbourne

ACROD  Ms S Kirkegard, Executive Officer;
Ms V Funnell, Chief Executive,
Spastic Society of Victoria; and
Mr B Lillywhite, Vision Australia Foundation

City of Maroondah  Mr N Foa, Director, City Services;
and Ms T Wilkinson, Manager,
Community Services

Council of Intellectual Disability Agencies  Ms S Jackson, Executive Officer

Mackillop Family Services  Mr P Linossier, Chief Executive Officer

RMIT University
School of Management  Ms S Moore, Project Leader

UnitingCare Connections  Mr D Dalton, Chief Executive Officer; and
Ms L Oakley, Director, Outer Southern Region

20 November 2000 - Melbourne

Aboriginal Affairs Victoria  Ms F Milsom, Programs Officer
Public Accounts and Estimates Committee

Children's Welfare Association of Victoria

Ms C Clare, Chief Executive Officer; Mr K Patterson, Deputy Chief Executive Officer; and Mr C Marshall, Policy Development Officer

Deakin University

Professor J Carter, Deakin Human Services

Department of Human Services

Mr A Stripp, Regional Director, Southern Metropolitan Office

Good Shepherd Youth and Family Service

Mr M Yore, Director; Ms M Kenny, Assistant Director and Youth Coordinator; and Ms V Ayres-Wearne, Social Policy Research Worker

Southern Health

Mr S Capp, Chief Executive Officer; Mr C Putt, Deputy Chief Executive Officer; and Mr M Sammells, Chief Finance Officer

Volunteering Victoria

Mr R Hermanus, President

6 December 2000 - Melbourne

Carers Association Victoria

Ms M Bohan, Executive Director

Hanover

Mr T Nicholson, Chief Executive Officer

Jesuit Social Services

Mr D Murray, Policy Director; and Mr R Cavanaugh, Manager, Finance and Administration
LaTrobe University                  Professor S Duckett, Dean, Faculty
                                      of Health Sciences

Muscular Dystrophy                  Mr B Struk, Executive Director
Association

7 December 2000 - Sale

Central Gippsland Health Service    Mr I Fraser, Chief Executive Officer;
                                      and Mr J Lau, Director, Corporate
                                      Services

Central Gippsland and East Gippsland
                                      Youth Committees
                                      Mr P Craighead, Chairman; and
                                      Mr N Smith, Small Rural Health
                                      Group and Lakes Entrance
                                      Community Health Centre

Department of Human Services        Mr L Harkin, Regional Director;
                                      and Ms D Wee, Partnerships and
                                      Service Planning Manager,
                                      Gippsland Region Office

Headway Gippsland                   Ms T Kingwill, Secretary

Wellington Shire Council            Mr B Graham, Director, Strategic
                                      Development; and
                                      Ms G Butler, Social Planner

8 December 2000 - Geelong

Barwon Health                       Dr J Gallichio, Acting Chief
                                      Executive Officer;
                                      Mr J Linke, Chief Financial Officer;
                                      Mr D Dillon, Financial Services; and
Ms A Fletcher, General Manager, Community and Mental Health Services

Bellarine Peninsula
Community Health Service
Ms M Curtis, Chief Executive Officer

Golden Plains Shire
Mr N Klemm, Community Services Manager

MacKillop Family Services
(Barwon region)
Ms A Condon, Regional Director; Mr S Murphy, Executive Officer, Barwon Association of Youth Support and Accommodation

Zena Collective
Dr P Cash; and Ms C Adams

6 March 2001 - Melbourne

Victorian Council of Social Service
Ms D Fifer, Chief Executive Officer; and Ms M Webster, Vice-President and Member, Catholic Social Services