

**REPORT OF PROCEEDINGS BEFORE**

**COMMITTEE ON COMMUNITY SERVICES**

**INQUIRY INTO OUTSOURCING COMMUNITY SERVICE DELIVERY**

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**At Sydney on Monday 10 September 2012**

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**The Committee met at 9.45 a.m.**

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**PRESENT**

Mr K. J. Anderson Chair)

Mr K. F. Conolly (Deputy Chair)

Mrs B. M. Perry

**KERRY JAN STUBBS**, Chief Executive Officer Northcott Disability Services, sworn and examined:

**ELIZABETH MARY FORSYTH**, Sector and Business Development Manager, Northcott Disability Services, affirmed and examined:

**CHAIR:** Good morning and welcome. Thank you for attending this public hearing of the Legislative Assembly Committee on Community Services Inquiry into outsourcing community service delivery. This public hearing follows the Committee's first hearing last Monday inquiring into the continuing transfer of housing, home care and disability services from government to non-government providers. The Committee heard evidence last week from New South Wales Government agencies, the Local Government and Shires Associations and peak service providers. The hearing today provides an opportunity to explore in greater depth some of the issues raised with earlier witness regarding the outsourcing of service provision and suggestions for its improvement. As well as taking evidence from additional service providers, the Committee will hear this morning from individuals who have had direct experience of how services are delivered on the ground with the aim of gaining valuable insights from a client perspective of the way that the current system operates.

I welcome witnesses from Northcott Disability Services. I draw your attention to the fact that evidence is given under parliamentary privilege and that you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today, the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Ms STUBBS:** Yes.

**CHAIR:** Thank you for appearing before the Committee today. Do you wish to make an opening statement of not more than five minutes in duration?

**Ms STUBBS:** We have nothing to add to our submission. However, since we lodged it the National Disability Insurance Scheme and the pilot sites have been announced. Therefore, there would obviously be some different or extra considerations for the Government in terms of where it might need to head in the outsourcing of services.

**CHAIR:** We will come back to where you think the Government might need to head. Page 4 of your submission states that Northcott Disability Services supports a service model where clients are provided with decision-making power and financial control to allow them to choose service providers. The Combined Pensioners and Superannuants Association argues in its submission that large-scale outsourcing will not necessarily lead to greater choice of services for clients in every case. Are you of the view that outsourcing service delivery will always result in greater choice for consumers?

**Ms STUBBS:** It will not always on its own. The issue is one of supply. Clearly in rural and regional Australia and in our experience in New South Wales the options for clients are somewhat more limited than they are in the city. It depends on how the outsourcing is organised and provided and what sort of capacity building might go on for organisations to be able to deliver services in those sorts of communities. On its own outsourcing will not necessarily always results in greater choice for clients, but where there is enough supply yes I think it will.

**Mrs BARBARA PERRY:** I think that the thrust of your submission, particularly in relation to part A, the terms of reference, talks about, at both the funding and the contractual level, the inequity that exists, if I could summarise what that is. I particularly take you to contractual arrangements first. Could you elaborate for me a couple of things based on procurement and contracting arrangements? One of the things I am firstly interested in is when governments seek procurement or put out tenders it is obviously implicit that you have the infrastructure ready to go. But I note on page 3 you say, "Northcott also believes that reasonable time-frames for the set-up of new services must be allowed". I think there is a conflict there that when you are tendering it is implied that you are actually ready to go and that you are able to do that. Can you explain what you mean by that?

**Ms FORSYTH:** I agree with you that we certainly have to have the infrastructure and the capacity to undertake it and we would not tender were we not to have that. It is more around an understanding of what is a reasonable time frame to commence a new service, whether it is in a new community or a particular type of service or the transition process from existing arrangements to the new arrangements. That was put in terms of sometimes the government might put a request for tender that has a specific time frame for starting that and that sometimes that time frame is actually not necessarily sufficient, whether it is a full comprehensive handover or transitional planning to get that service up and running in the best way possible in that time frame, although we do put in our infrastructure and our systems to ensure that as much as possible.

**Mrs BARBARA PERRY:** When you talk about start-up, what are the issues on start-up that you would need time to transition? If there is a new service provider coming in there has been one there already so that would be the transition, but what about staff? You could understand that there cannot be too much of a time gap for those services to be delivered and what you are really saying is for the previous service provider that they should stay on until you are ready. Is that what you are saying?

**Ms FORSYTH:** Not necessarily. I think it is just about having an adequate and realistic time frame. In terms of staffing, recruitment processes can take a while, particularly in some of our regional areas. So we might need to go through several rounds of recruitment before we find the right person for that role. I guess the point is also related to the time frame in which the government responds to notification of tenders. Often you tender for something and there is an expectation of a service being up and running by a certain date but you might not hear back from the government about your outcome of that tender until much further down the track than what was initially put out in tender time frames—that is a fairly common occurrence—and then waiting for funding contracts to come through where there is an expectation that we get started before we even have that documentation finalised by government. So all those factors play into that.

**Mrs BARBARA PERRY:** We have talked about the contracting arrangements a little bit. It is clearly your view that the non-government sector should not be seen as a way to cost shift government responsibility. Is there an expectation by the non-government sector or your own organisation that the delivery of services has to ensure, as you have written in your submission, the cost of capital and infrastructure is put into the funding arrangements? That is clear, but, at the same time, is it not part of why government looks to the non-government sector, to get the benefit of the fact that you already have that infrastructure? Can you talk about that a bit more?

**Ms STUBBS:** There are a couple of issues here. It is not so much about cost shifting; it is about some of the inequities in the market that can happen when you have got government and non-government sectors competing in the same market. We believe that outsourcing is a good way for governments to go because I think you get a bit more flexibility and more innovation and it should be cheaper because the burdens that non-government sectors have are not as great as the burdens that governments have. So I would not expect it to be more expensive or it to be totally the same. However, you have got people competing for the same jobs being paid different rates. That puts the non-government sector at a disadvantage.

So there is a problem there. There are a couple of ways to solve it but it is an issue, so we are not necessarily talking about what the solution should be, we are just saying it can be an issue, particularly with very scarce resources like therapists, allied health professionals—they are very scarce; there is a very strong market for them, they are in great demand and it is outside the capacity of the non-government sector to pay the same as is paid in large government departments for those sorts of people in most cases.

The other issue around the cost of capital and the full cost of capital, it is more about properly costing the risk. It is more about risk shifting rather than cost shifting. There is not a problem for governments expecting non-government sectors to have infrastructure ready and able to go, and certainly being helped by philanthropy to put in new and exciting services is part of why we exist, but if you are going to shift the risk you also therefore have to price that risk and that is not usually thought about currently in the way government thinks about outsourcing. The more it outsources the more risk it shifts and the more you have to, therefore, be prepared to pay for those organisations that are taking on that risk.

**Mrs BARBARA PERRY:** I think what you mean by risk is accountability, governance arrangements and those types of things. What do you mean by risk? What do you mean when you say that the burdens are different between government and non-government? You have talked about two things—the burden between government and non-government—and you think you are more efficient because of the burden issue.

**Ms STUBBS:** Non-governments organisations generally are smaller and governments are large. They are more agile. They do not have as many processes. Clearly the bigger and more bureaucratic an organisation the more difficult it is to deliver services. It does not mean that it cannot be done but there are more formal processes that have to be costed. If you costed them properly clearly there are differences, in the same way as large organisations of any sort are less agile than small organisations.

This is the burden of risk I am talking about, and do not forget that we are talking about clients in the end. If we are taking on more and more outsourcing from the government sector, non-government organisations need to put systems in place that are clearly there to support clients. So if things go wrong and do not work they are able to come to the rescue of those clients. The more that happens, the more risk there is. If you are looking at the National Disability Insurance Scheme there will be more risk; there will be the risk of bad debts and we will not have government backing because we are not government and never will be to deal with income streams that do not come in and we do not have capital. If building properties are not tenanted all those things are capital risks. Those who regulate the pricing mechanisms need to have a think about how that works. There are various ways to do it.

**Mr KEVIN CONOLLY:** In the area of accountability you said—quite consistently with a number of other submissions—that you would like the accountability mechanisms to focus on outcomes for clients rather than outputs of service occasions. I think that is entirely appropriate. I refer to a further comment you made in your submission—that you would like the opportunity to directly approach government with areas of community need, new models and so on. I wonder how well that will sit together. If the Government is to identify what outcomes it wants and it puts out a tender to communities and says, "Who can provide a service that meets this outcome?" how would that sit with service providers who want to do something else?

**Ms STUBBS:** I do not see that as inconsistent with what is done in industry now. We have lots of ways for government to foster innovation in our society at both the Federal and State levels but we have not thought of it too much in human services. For example, we have innovation grants for things like new technology and those sorts of things. In many ways human services innovation is no different. It does not necessarily have to be the same areas of government; there can be ways of making sure there is no conflict of interest. We need to keep that quite separate so that you do not have any of the problems of the same organisation delivering. But fostering innovation and having organisations being able to approach governments and say, "There is a need in this area and we think we have got a good way to solve it" and getting some seed funding or some funding to do that, I cannot see why that is a problem.

**Mr KEVIN CONOLLY:** I am looking at it from a budgeting point of view and saying: We are buying so much service and this is what we will put into the budget for the coming year. If you devise a good idea and we give you a bit of seed funding then next year we have to buy more services to meet the additional—

**Ms STUBBS:** It might be a way to do it better and cheaper. The hope in all of what we are doing in Disability Services is to find ways to link people with disabilities into mainstream services and provide services that they really need to support them so they can live in society. Our aim ultimately is to have people living in society with those supports that they need to live a full life. Our aim is not about continuing our existence and providing more and more specific disability services. That is not why we exist.

**Mr KEVIN CONOLLY:** How do you respond to the perspective that has been put to the Committee in a number of submissions that quality of service tends to be less in the non-government sector?

**Ms STUBBS:** I do not know how they would know because currently there are no quality systems that measure that. I would disagree, but I cannot say I disagree with any evidence because I do not think we have it. One of the things we argue for is a quality system that preferably would be nationwide so that you can look at quality. One of the things that is most important is getting decent outcomes, good quality outcomes judged both by the funders and by the people who are receiving the services. We do not have a way of measuring that yet.

**Mr KEVIN CONOLLY:** Do you have an internal mechanism in your own organisation that you use?

**Ms FORSYTH:** We are moving towards it. We have several internal mechanisms that point to measuring quality across lots of different areas but in relation to a formal system we are certainly undertaking that process to examine which system will work best. I think we are a bit constrained at the moment with whether we wait for government rolling out something or whether we go ahead and do it ourselves.

**Ms STUBBS:** We are also working with a number of other interstate service providers to look at how we might benchmark, and that seems to us to be a good way of measuring.

**CHAIR:** In relation to quality systems and accreditation of non-government organisations to benchmark them against others, do you have a quality system ready to go? Would you recommend it? Could you expand a little on what would be in such a system?

**Ms STUBBS:** We have been grappling with this for a couple of years now. We have got all the elements of a quality system that we have been putting in place in our organisation—a good complaints management system, a good incident reporting system, a good policy review system, benchmarking, evaluation mechanisms, client surveys and all those things. What we do not have is third party accreditation and we need it. We do not have a recommended system because we have not found one that is perfect for our sector which is why we are waiting to see where the government goes. Hopefully there will be a couple that are recommended and we will go with one of those. I think there are a number of systems that could work but none of them are perfect. My experience has been in the health system and I am very familiar with the accreditation of hospitals. I found that that system works well because it has third party accreditation with good internal and external inspections. That is what you need for a good quality system—you need both those things.

**CHAIR:** When you put in a tender does a section of that tender check off those issues to which you have just referred?

**Ms FORSYTH:** I would say there are sections that point to those issues. They may not do it in the same way. I guess part of our experience is that every tender does it in a different way and so we address the issue of governance in one way for one tender and in another way for another tender. Essentially we are providing the same information back to government; it is just in the form in which we have to give it. But certainly we put in all the information that would go to support our organisational capacity to provide the service.

**Ms STUBBS:** If you had an accreditation system you would have that information in one spot.

**CHAIR:** From what departments does Northcott source its business? How many departments do you work with?

**Ms STUBBS:** Mostly at the State level with Ageing, Disability and Home Care but we also have funding from the Department of Community Services, Housing NSW and NSW Health. At the Federal level we have funding from the Department of Families, Housing, Community Services and Indigenous Affairs, and the Department of Education, Employment and Workplace Relations and that is about it. In the Australian Capital Territory we occasionally have funding from Sport and Recreation NSW.

**CHAIR:** Is the tendering process different for each of those State government agencies with whom you work?

**Ms FORSYTH:** It has been previously. I think there has certainly been a shift more recently to a consistent approach and so some of the red tape reduction work that has happened at the State Government level has seen at least consistent tender forms. Not in every instance but some of the broad, open, competitive tenders have at least used the same form. So we are answering the same types of questions and addressing the same criteria.

**CHAIR:** Would you like to have a standardised tender when dealing with the State Government?

**Ms FORSYTH:** I think we would like to see a standardised process. I do not know whether every tender could be standardised. We point out in our submission that if there were some level of pre-approval that would be standardised across government departments, which points to those quality indicators, to governance and to organisational capacity. Then each tender would look different because what you then are proposing and putting to government is a recommendation of what you can provide for that particular service. That cannot look the same across services.

**Ms STUBBS:** Clearly that is how the department has been trying to move.

**Mrs BARBARA PERRY:** I was going to refer to outcomes and to accreditation. Sometimes there can—and sometimes there cannot—be a set of outcomes that is common to services?

**Ms STUBBS:** That is right.

**Mrs BARBARA PERRY:** Then it comes back to some of the external and internal mechanisms that are around. Northcott has a heavy reliance on volunteers.

**Ms STUBBS:** Not so much. We have some reliance, but not heavily.

**Mrs BARBARA PERRY:** You have some reliance on volunteers, as do many organisations. In fact you talk about your volunteers quite a lot in the submission. What sort of quality system would encapsulate volunteers and the difficulties associated around the use of volunteers and the outcomes that are being measured, given that they are volunteers?

**Ms STUBBS:** I think there are a couple of things. There is certainly the way that the organisation itself recruits volunteers, which could be part of the quality system. We have a volunteer coordinator, for example, who keeps lists of the volunteer opportunities, matches up volunteers to opportunities and works with the volunteers to find the right fit for them. I think that is part of quality and part of a quality system. Then clearly the volunteers have to undergo mandatory checks because once again we are talking about clients and we are often talking about children. Our first responsibility is to protect our clients and particularly the children. That is part of a quality system. We need the same assurances from volunteers as we do from staff that they are fit and proper people to be providing those services. Then we need to support them appropriately, train them appropriately and to provide them with what they need to do their volunteer work. I do not see any of that as outside a quality system; I think that is all very much part of a quality system.

**Mrs BARBARA PERRY:** You have an internal complaints system, which would be someone in the organisation oversighting the complaints and then someone else having a look at that. Is that how it works internally at the moment?

**Ms STUBBS:** We have a couple of things. We have an incident reporting system, which is also complaints, where anyone who has access to our computer system and also any client can make a report. That comes into a central coordinator. It is then farmed out and there are rules about how it gets dealt with. We also have a committee which meets regularly and has both external client and staff representatives on it that oversight the complaints and the trends and makes recommendations about how that process should be improved.

**Mrs BARBARA PERRY:** Do you report those externally?

**Ms STUBBS:** No. We are not required to report them to anybody at this stage.

**Mrs BARBARA PERRY:** As we are moving to systems such as the National Disability Insurance Scheme [NDIS], do you think there should be a requirement to report those incidents and complaints externally?

**Ms STUBBS:** I do not have a difficulty with it. Certainly the serious ones, I think if I was the purchaser I would probably want them reported. That is exactly what I was used to in the health system.

**Mrs BARBARA PERRY:** You are talking about the most serious ones only. Just off the cuff now, bearing in mind your experience in the health system, can you think of how that system might work?

**Ms STUBBS:** We have adopted some of the health system's policies around this because they work well, which is you categorise your complaints and your incidents and you categorise them according to effect and likelihood of reoccurring. It is a basic risk framework. In the health system anything that was category 1 or 2 had to go directly to the department and the Minister. Similarly anything in our organisation that is 1 or 2 has to come directly to me. So we have a hierarchical system of how they are reported. I think there is no reason why some of those should not be directly reported through.

**Mr KEVIN CONOLLY:** I would like to take up the part of your submission where you talk about government not limiting the fee, particularly the 12 per cent administration limit, and that we should back off from that and allow providers and tenderers to set their own rates. Do you think that the freedom to set unlimited

service prices and to have no cap on the administration component has the potential to lead to excessive fees for services? How can government therefore be confident that the most disadvantaged clients are going to get the service they need?

**Ms FORSYTH:** I think if any organisation needs to remain competitive it will not result in excessive fees. Certainly the intention in looking at the issue of the 12 per cent administration fee and what it covers is not about organisations being able to charge what they like. It is actually about organisations being able to charge the true cost of the service. I think that is certainly our main issue with it.

The other concern we have was around an understanding of how government comes to that figure. I think the information that is out there for non-government organisations about what the 12 per cent is to cover in that particular example, which is a day program within Aging, Disability and Home Care, there is not information as to how that figure came about. From our perspective we would at least like to understand what is behind that or what constitutes that. Also then we would like the freedom to be able to look at what are the expectations of that component of service. Is it just the administration and management? There is some slippage into service provision in that as well. It is about fully understanding all the components of that and what for us is the real cost of delivering that. We can then look at our internal costs and work out if we need to deliver things differently or more efficiently in order to provide best value for money for the clients who we support.

**Mr KEVIN CONOLLY:** Assuming you had the transparency you sought and government could explain exactly how it had come to those figures, do you think it is likely that removing that cap would see tenderers set higher prices and that you would need to recoup more?

**Ms STUBBS:** I think what are you more likely to see is people a bit clearer about what services you are going to provide. I will give you an example where I think it actually works against disadvantaged clients. It is not a State government example but in the Federal government sphere in the Helping Children with Autism packages and Better Start packages there is a restriction on charging travel costs. You are not allowed to charge travel costs. We have to charge the same regardless of whether I am sending a therapist 200 kilometres to deliver a service in a remote area or I am sending them half a suburb away. That means we just do not deliver services in rural and regional areas because we cannot afford it.

I think government clearly has to make sure the most disadvantaged clients are protected but it has to be clear about what are the true costs of delivering services as well. In this example in our case the administration fee is not something we are particularly attracted to. We do not want to be administrators; we want to be service providers. I think potentially insurance companies or someone else can come in and do the administration for 4 per cent. They probably can do it for less than 12 per cent. But if that administration is also about coordinating the service and giving case management that is a different thing and 12 per cent is not going to cover it. So it is really being clear about what that is and what we are talking about and then we can make realistic decisions about what services we will provide.

**CHAIR:** Could you shed some light on what you think government needs to do to ensure that regional areas have sufficient numbers of service providers? I suppose the transport option you just spoke about would have a role to play.

**Ms STUBBS:** We think there is a lot that can be done eventually with technology. That is one of the areas where we are moving. We think having good broadband across the country will be a big boon for disability service providers, assuming that we have the appropriate infrastructure in place for providers and for families. There is a lot being done with telemedicine now that could be done with therapy assistance and Indigenous workers who could be coached or mentored by people somewhere else using telehealth. I think there is some infrastructure investment that governments could invest in that would help.

We also think that some capacity building of those communities might need to happen. If you know there are no services in a community, maybe what the government needs to do is think about putting in some capacity-building funds to get service providers to be there. Once there is a market then they can move away. But I think for rural and remote communities it is a much more difficult proposition because there just are not the service providers there. It is really not having a one-size-fits-all policy for everyone; it is looking seriously at those communities.

We are doing some really very good work with Aging, Disability and Home Care [ADHC] who is thinking that way in Moree, for example. They have been working with us to do some good investment in

Indigenous communities in Moree and some of the services we might be able to provide there in a different way that will meet the need of those communities. It is having that dialogue at the local level where they know the local needs.

**CHAIR:** You used the words "government funding" a fair bit in your answer. Do you think the government should look at how it invests in that sector?

**Ms STUBBS:** I think they have to. They have to at least get the infrastructure in there. Otherwise if there is not a market there is no-one there to deliver it. That can be done in a variety of ways. It could be with some of the councils looking at council hubs where they have rent-free periods for organisations to come in because they have got a building. There are different ways of doing it and I think ultimately, yes, governments have to look at that.

**Mrs BARBARA PERRY:** So what you are really saying is that you need to provide a market or the not-for-profit sector will not go otherwise?

**Ms STUBBS:** Well they cannot go if they cannot exist. We go into rural areas all the time and we put money in there. We fund our offices out of our own reserves because we want to grow the business. We do that where we can. The not-for-profit sector will go into those areas if they think that can happen and if they have enough money. For example, we have just bought a property in Ballina. We are growing our services there. We have a three, four or five-year plan for it to make a return. The office is losing money at the moment. It will continue to lose money for the next three years but we have a three-year plan. We are a big not-for-profit organisation; a lot of the small ones cannot afford to do that. There are some places where there is not enough population for someone to be able to make that decision. We make that decision all the time as part of our business plan but we have the capacity to do some of that. We cannot do it everywhere.

**Mrs BARBARA PERRY:** In one way your submission talks about needing to have the pay equity—in the sense of equality of payment as opposed to the issues around pay equity in the recent decision by Fair Work—between the government and non-government sectors because of the attraction of staff. On the other hand it talks about the Government getting out of non-government services—

**Ms STUBBS:** I do not think I said that.

**Mrs BARBARA PERRY:** What is your view for the role of Government? You have spoken about telemedicine and the infrastructure supports but I am more interested in partnerships. We know that regional and rural areas are difficult and the best way government can assist, apart from infrastructure and capacity building et cetera, is in true partnerships with the non-government sector.

**Ms STUBBS:** Absolutely.

**Mrs BARBARA PERRY:** What are your views on that?

**Ms STUBBS:** We work in partnership with the Government all the time. We see that as our model. I think what we said about government was in opposition in terms of service provision, which is a different thing. There is a very strong role for governments; they are the ones responsible for ultimately delivering the services to the community. We are not saying that is the non-government sector's role. We are saying if a non-government sector can deliver a service more effectively, more agilely and more cheaply, why would government be delivering that service? There will always be services that the non-government sector will not for all sorts of reasons be able to deliver in that way. That is clearly where governments need to make their choices about what they are. Similarly they need to work in partnership with the non-government sector to look at the communities and what they need for that to happen. They do not necessarily have to fund the non-government sector to build the community infrastructure; they might need to build the community infrastructure so that the non-government sector will come. But partnership is absolutely important.

**Mrs BARBARA PERRY:** Governments do look to the non-government sector because the client service is important—that is not to say that governments do not deliver good client services because they do. I agree with you that partnerships are extremely important but your argument is that funding around administration, capacity building and infrastructure et cetera is an issue. At the end of the day is it that you are cheaper now because you are not funded properly?

**Ms STUBBS:** I do not know how much cheaper we are because we do not have those figures. I hear from Ageing Disability and Home Care and various people have said that they think the non-government sector can deliver services 35 per cent cheaper than the government sector. Whether that is anecdotal, I do not know. I do not have that information.

**Mrs BARBARA PERRY:** Bearing in mind all the needs—

**Ms STUBBS:** The Government delivers a lot of things that we could never deliver. That is what I said: it is about comparing like with like.

**Mrs BARBARA PERRY:** I am trying to get an understanding. Is the non-government sector able to deliver more cheaply because it is not being funded properly? Let us be honest, there a number of things that are not factored into tenders and pricing.

**Ms STUBBS:** We are not funded for capital but then we can get capital grants. I do not think there is a black or white answer to that question, and I am therefore loath to give one. We are trying to give a view on where things could go and how they could go and to raise some of the issues about what government might need to think about when they are going that way. But I do not think there is a black and white answer that we are cheaper because we are not funded properly. I do not think it is that easy.

**Mrs BARBARA PERRY:** Having heard what you have said about where it might go and what needs to be done where that might be, I am wondering whether that is not currently being looked at and whether you are being taken advantage of so to speak.

**Ms STUBBS:** No, I do not think we are being taken advantage of.

**Mr KEVIN CONOLLY:** Scepticism or reluctance to go down the path of working with for-profit organisations in outsourcing has been a theme in submissions from a number of people. Do you have a comment about how for-profits and not-for-profits fit in and whether there are some that perhaps should not be given to for-profit organisations or if there is some limitation to having that in the field?

**Ms STUBBS:** If you are going to have a market, you are going to have a market. I cannot see how you cannot have for-profits in the markets as well as not-for profits. My personal belief is that if a not-for-profit is good it should be able to deliver its services better than a for-profit—the only issue is capital really. If a for-profit has a lot more capital then they have the opportunity to do things that a not-for-profit without capital may have difficulty getting off the ground. So there is a big issue in capital for not-for-profits, such as moving into an area, setting something up and taking a loss for three or four years while you build a business. The for-profit area will likely come into that with capital and be able to put a business model in place. That needs to be thought about. You cannot close the box, you open it and you have to compete. That is the way things are.

**CHAIR:** How do you see attracting qualified professionals to rural, regional and remote New South Wales and the challenges that you face?

**Ms STUBBS:** We struggle with it. We have a multipronged strategy around that and we have done a number of things. One is by trying to build up areas that professionals are interested in such as research. You need to be a multifaceted organisation. Professionals will not come to an organisation just to deliver the services—that is not what they are about. They want an organisation in which they can get promotional prospects, do research and get job satisfaction. You need to build up those options for them in your organisation. That is what we are trying to do. For example, we have grown our number of therapists by threefold over the past three or four years by putting in place some of those strategies, by having flexible work practices and by a lot of hard work.

**CHAIR:** Remuneration?

**Ms STUBBS:** Remuneration, yes. We have reviewed our remuneration. We still cannot compete. In terms of therapists our biggest competitor is the Health department.

**CHAIR:** And it is struggling as well.

**Ms STUBBS:** I came back from Europe and America last year and I can tell the Committee that every western country is having the same issue. America has exactly the same problem and it cannot get enough therapists either. We are looking at things like therapy assistants—training up people who can work with therapists. Particularly in Indigenous communities I think Indigenous therapy assistants would be a great way to go. And trying to look at innovative ways we might be able to do something about that.

**CHAIR:** Through technology.

**Ms STUBBS:** Yes.

**Mrs BARBARA PERRY:** Are there any incentives in your current contractual arrangements to get outcomes and what are they?

**Ms STUBBS:** Not really.

**Mrs BARBARA PERRY:** Do you think it would be a good idea to put that into contractual arrangements, particularly around the issues to do with the for-profit and not-for-profit sectors?

**Ms STUBBS:** That is an interesting one. For us the incentive is always to see the lives of our clients improve, and that is what you would hope the incentive would be. That is what keeps our staff; certainly not money. I do not know. That is a very difficult one. I would have to think about it.

**CHAIR:** Lastly, we spoke earlier about the different departments that you work with and through. Do you think there would be some advantage in having one department or a one-stop shop where you would apply so that you do not have to deal with four or five agencies? You would go to one area in terms of accessing those tenders, like a portal or somewhere like a department, and they would feed out, which makes it easier for you to do business so that you are not dealing with four or five different agencies?

**Ms FORSYTH:** I think in terms of the tendering process that may well help, although I would say that that kind of exists at the moment. Certainly in terms of New South Wales government tenders you can subscribe to the tender updates so that anything that comes out from the State Government you get a feed into your email from, so possibly from that perspective; but it depends again on how you set up that tendering process. If there was some kind of pre-approval or pre-qualification process, your tenders would actually be much more specific to the service that you are wanting to provide, or that the Government is seeking to find someone to provide, in which case you do need people that understand that, which may differ across the different departments.

**Ms STUBBS:** And across different parts of the State. I mean, providing a service in Moree is not the same as providing a service in Parramatta.

**Ms FORSYTH:** With a one-stop shop, potentially you could lose some of the flexibility of working with government, certainly locally. I mean, how we have worked, particularly in that example in Moree, you know there is a community need. We work with government to address that in a way that suits the community. If everything had to go through a one-stop shop in that same way, you would certainly lose that and it would be disadvantageous.

**Ms STUBBS:** To me, that sounds a little bit like what we experience with the Federal Government tendering and that would not be a way I would suggest is a good way to go. That is much more rigid in a sense. Every department is a little different but they are big departments. For example, with the employment network tendering for the Disability Employment Network, which we do through the Department of Education, Employment and Workplace Relations [DEEWR] and which we are provided for, is very inflexible. If you get all the pre-approval and the governance stuff out of the way in one place, the rest of it really does need to be local.

**CHAIR:** So the pre-approval and governance might be an option?

**Ms STUBBS:** Yes.

**CHAIR:** We are mindful of time and we are on time, so we would like to thank you very much for, firstly, putting in your submission which has been most helpful in our inquiries and, secondly, for your time today. We do appreciate it.

**(The witnesses withdrew)**

**TRACY McMILLAN**, Private Citizen, sworn and examined:

**CHAIR:** In what capacity are you appearing before the Committee?

**Ms McMILLAN:** I am a disability support worker [DSW] in age and disability care. I am appearing as a support worker in the disability support accommodation sector.

**CHAIR:** I draw your attention to the fact that your evidence is given under parliamentary privilege. You are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited, the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Ms McMILLAN:** That is fine, yes.

**CHAIR:** Thank you. Before we proceed with any questions, would you like to make a brief opening statement of not more than five minutes?

**Ms McMILLAN:** No, that is fine.

**CHAIR:** Thank you very much. We will take you to your submission where you state that the privatisation of the public sector of disability and community services should not go ahead on the ground that you have worked across private and government organisations as a support worker. Could you elaborate a little on that in relation to how clients are better protected in government-run houses?

**Ms McMILLAN:** In government-run houses, you have a ratio of two workers to five clients. You also have your team leader, which is an in-house manager who oversees the running of that house and the staff for that house, versus the non-government layout, which is that the non-government organisations [NGOs] have the team leader in the office. They run between four to eight houses with a larger number—about 18 staff—and six to 14 clients.

**CHAIR:** So six to 14 clients with how many staff did you say?

**Ms McMILLAN:** With 18-plus casuals.

**CHAIR:** In your experience, is that the norm for the way that sector is taken care of?

**Ms McMILLAN:** That is the general rule on how the houses run, but in the ratio, if you break that down per house, you actually would have one staff to four clients.

**CHAIR:** What has been your general feeling of the way the clients appreciate or do not appreciate that service?

**Ms McMILLAN:** In the government sector, because staff are around a lot more for a longer period of time and also have a better rapport, they are more comfortable and they are more relaxed as within their own homes. The clients get more outings and tend to live their life to what they want to live their life to, whereas in the non-government I find when I am working in non-government, there is a constant changeover with casual staff. Therefore the clients do not get to build rapport with staff as they do with the government. There is a higher turnover and therefore there is not that rapport. They tend to be at-home more because there is one staff, and if there is a client that they feel they cannot take out in public, they will not go out. They will sit around the house—that sort of stuff.

**CHAIR:** Building that trust and that relationship is critical?

**Ms McMILLAN:** Yes, very much so.

**CHAIR:** And the continuity of care.

**Ms McMILLAN:** Yes, and consistency as well.

**Mrs BARBARA PERRY:** As the shadow Minister for Ageing and Disability, I understand what you are talking about—that consistency and continuity of care, whether it is through government services or non-government services, is very important. But before I go on, can I ask you this: You provided two documents. Would you like those to be part of your evidence today?

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** And form part of the evidence?

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** Okay. So you are tendering those documents?

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** Okay, great. Back to the consistency theme: Why do you see that there is less consistency of staff in the non-government sector compared to the government sector? Why is that happening? Is that the way people are rostering people, or is it just the high turnover, and what are the issues or the underlying causes for that?

**Ms McMILLAN:** Part of that underlying cause is the training. I will explain a few points and then I will go into depth on them. So the training, the rostering is part of it. The staff are expected to have a higher workload, especially paper-wise, that they are not trained for. Expanding on training, for instance, part of my submission is how we do training in the government sector. It is ongoing monthly and they will pick individual broken down pieces of courses you need to know, such as mandatory reporting, medication, inductions, epilepsies, all these types of individual training, and give you a great in depth and you also will have booklets to work on to make sure that you get the information and understand the information.

When I have been in the non-government sector one training tool was—the occupational health and safety manager told the team leader for slips and falls to go out and explain how it works, here is a tool, what they call a toolbox and it is just a form. So once he has explained to his team in the house they are to sign the form that they understand how to do that procedure. That is just a cover of liability. There is no adequacy in that at all. People will sign it because they feel a bit more threatened in the non-government sector because they will be told, "This is the way it is. If you don't like it you can move on." That sort of thing is being told. I have experienced that not long ago when another team member came to me and expressed a concern of that. Where in the government they know their rights and they will lay down those rights, and if they did not think that they are being fair with their staffing they will go to the PSA and things like that for the extreme side of it all.

**Mr KEVIN CONOLLY:** I wonder if you could expand a little for us on your experience in both sectors. Where were you working, what sort of setting and what sort of organisations?

**Mrs BARBARA PERRY:** I do not know that she would want to nominate—

**Mr KEVIN CONOLLY:** Not necessarily names—

**Ms McMILLAN:** Not the organisations but the settings.

**Mr KEVIN CONOLLY:** The kinds rather than the names.

**Ms McMILLAN:** Yes. One organisation I worked for I was the key worker in that house working one on four clients. I ran most of that house, the whole kit and caboodle down to bills being paid, et cetera, doing medications, community access, all sorts of normal job roles.

**Mr KEVIN CONOLLY:** Is this a non-profit?

**Ms McMILLAN:** This is the non-government.

**Mr KEVIN CONOLLY:** Was it a not-for-profit?

**Ms McMILLAN:** No, for profit.

**Mr KEVIN CONOLLY:** A small entity or a large one?

**Ms McMILLAN:** A large entity. A lot of the work was put down onto the key worker in the house. Because that manager had eight houses to manage, we did most of the running of the house, the key worker. There have been times, for instance, medication—there was one time I came into the house and, because I am very vigilant, a client, it was two o'clock in the afternoon, had come from hospital the night before and that client was sitting on the back lounge with a casual on and she had a blanket over her and was asleep, and it is a 30 degree day. I thought this was quite unusual. I walked in and spoke to the casual worker and said, "What's the problem here?" It was explained that she had a new medication given to her from the hospital and it was a liquid form of a psychotic type drug and it said on the bottle ".25 mls" so the worker explained, "I gave her a spoonful, didn't have a measuring cup." I said, "A spoonful?" That is bigger than 2.5. The conversation continued on and then it was down to he gave her a teaspoon and it continued down. I said, "No, .25 is not even one millilitre, it's a few drops." He didn't have anything to measure it with.

Under our training in the government sector, we are thoroughly trained that first of all you do not administer because we are not practising GPs or anything like that. Anything that is not in a webster pack or is being signed off by a doctor to be administered with its rules and regulations, it also has to have measuring tools such as a measuring cup if you are going to give liquid but we rarely do. We always try to have tablet form medication in a webster pack PRN and these are all audited and monitored. So this client, going back to the non-government, I sent her off to hospital again because I just did not think that was appropriate.

**Mr KEVIN CONOLLY:** Would that have been an example of someone not following the procedures that should have been in place in that organisation or was the procedure just not there?

**Ms McMILLAN:** The training procedures, for starters, there was no training, I believe, given to that person at that point. They were a casual, where they are called in. They come in and float in and out.

**Mr KEVIN CONOLLY:** If you as the full-time or the permanent worker had been there, there would have been a protocol to follow?

**Ms McMILLAN:** Yes. They do have a protocol to follow, but some of the staff do not even read that. They rely heavily more on attending a training session. If they go to the training they seem to get it, but if they do not go to training they do not get it.

**Mr KEVIN CONOLLY:** I do not know how long your career has been in the field but how much of your time have you spent in the non-government sector and how many years perhaps in the government sector, just roughly?

**Ms McMILLAN:** I have been in Community Services for eight years. I have been in disability non-government for 2½ years and then government for two years.

**CHAIR:** You said that in the non-government sector there is a high turnover of staff. Do you think that there is a problem with pay and working conditions and the difference between both?

**Ms McMILLAN:** It is more working conditions than anything. They are pressured a lot.

**CHAIR:** The non-government organisations are pressured?

**Ms McMILLAN:** Sorry, the non-government organisations tend to put a lot more stress load on their staff and tend to—bullying is probably not the right word but with the pressure that they do put on them, they feel as though they cannot speak up quite often because they are in fear of losing their jobs, things like that. They are short of staff. I have seen where one house, the worker called in sick so that house was then transferred over to another group home within the non-government organisation and then we had one staff looking after about seven clients, doing the two roles. So you get a lot more pressure put on you because when they are short-staffed, when they cannot fill the gaps, you are dragged out of homes and put on other houses. Oh, we have not gone one here; go run there now. I can get a casual in there to fix that house. Can you go over to this house? You are moved around a lot more and it is quite stressful and you just burn out.

**CHAIR:** Do you think there are some non-government organisations that are doing a good job or they are all sort of trying to run on skinny margins?

**Ms McMILLAN:** There would have to be some out there that are probably top of the range but the two non-government organisations I have worked across are pretty on parallel on these, especially when it comes to staff because staff are just a tool. They do not respect staff. They do not engage staff enough. Even down to team meetings, in the non-government I know there were times when I never had a team meeting in one of the houses and I had issues I needed to debrief and bring up within my team and with my manager and it would be six months because he was flat out with more priority to other houses he had that were in issue control. Therefore I would have to wait six months to bring up issues and try to deal with them the best I could and however I could.

In government services we have rosters where we are on for four hours for a team meeting every month, once a month. In non-government you only get one hour, two hours maximum, if you do get a team meeting. Even in the other non-government organisation I work in, it is three or four months since they last had their team meeting as well. So addressing issues that are constantly arising in the houses for the safety of our clients cannot be dealt with. You are left open to the staff's capability, you have no management really enforcing anything and giving direction, whereas with the government having that regular four-hour once a month meeting you get all that, and we get to put out everything that is an issue and everyone is bouncing off each other to correct any issues.

**Mrs BARBARA PERRY:** And therefore improve the quality of services.

**Ms McMILLAN:** Exactly.

**Mrs BARBARA PERRY:** That is why you see that as important.

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** You were asked whether it was working conditions or pay.

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** Can I ask about your pay experience in non-government and government?

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** What is your experience with pay rates?

**Ms McMILLAN:** In non-government it is probably three or four dollars less than what I get paid in a government service. There is a big difference in the management levels, but that is just the front-line disability workers, support workers.

**Mrs BARBARA PERRY:** What do you mean by that?

**Ms McMILLAN:** When you get to the first line of management, what we call a team leader in a government house, the team leader is within the house looking after that house and running that house, and they are on roughly about 80 grand a year versus non-government where they are on \$24 or \$25 an hour, but they are controlling four to eight houses.

**Mrs BARBARA PERRY:** How much would that be a year?

**Ms McMILLAN:** I do not know off the top of my head.

**Mrs BARBARA PERRY:** More than \$80,000?

**Ms McMILLAN:** No, less for non-government. It would be probably about \$45,000 to \$55,000 versus \$80,000 to \$85,000.

**Mrs BARBARA PERRY:** I want to ask about your experience with the complaints mechanism for staff who have complaints and for clients who have complaints, and your experience of how internally those complaint mechanisms are dealt with in government and non-government services, and also about the oversight outside the external bodies that might look at those things.

**Ms McMILLAN:** As a prime example in non-government—and I wish I had brought some paperwork on this because I did have it—the whole team in the house was upset with constant changes, hours being shaved off the roster where they had two hours in the morning to help five very high maintenance clients needing complete changes and everything—

**Mrs BARBARA PERRY:** Total support?

**Ms McMILLAN:** Support, yes, and they took one worker off by an hour and all these inconsistencies. They moved certain staff that were familiar with that house on to other houses and brought in new staff, et cetera. They explained their concerns to their team leader and their team leader ignored it, so they went further. They got a six-page email turnaround—basically it was bullying, saying that this is the job and "I am disappointed in the way you are doing this, this and this. If you do not feel that you can complete your job on shift, you need to ring me and go through things." There was quite a lot of basically be quiet, or else.

**Mrs BARBARA PERRY:** Where could that person then go if they were not satisfied with the team leader?

**Ms McMILLAN:** To human resources. They would have to go to HR in this non-government organisation. One did go there and nothing has been heard back as yet.

**Mrs BARBARA PERRY:** What about clients?

**Ms McMILLAN:** Most of it gets swept under the carpet unless a parent or advocate jumps in. They should be documenting it and putting in a complaint form and following up, but they will sort of put it across to the client, "You're okay, everything is alright. Have a chat and a coffee. Everything is sweet, it's fine." The client then just says "Okay" and goes away.

**Mrs BARBARA PERRY:** What has been your experience of the external monitoring of complaints?

**Ms McMILLAN:** For non-government, if an advocate or family member is persistent, they can go to the Ombudsman or their local member of Parliament, all the steps after trying the levels of the non-government organisation, if they are not getting anywhere, and very rarely—there are a few that will do that, that are very involved within the client's life.

**Mrs BARBARA PERRY:** But your concern is that at that earlier level it is sort of being swept under the carpet?

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** Is that your same experience in government?

**Ms McMILLAN:** No. A prime example is the other day I was in the house and one of the clients put a complaint in. She could ring the police and the police attended. They talked to her and they talked to the staff, but then I also put in a written complaint on her behalf, sat down and went through her concerns, and put in a written complaint. That was then taken up by management. An action plan had to be made on how we were going to prevent that sort of thing happening for her and how we could fix it for that client.

**CHAIR:** If more services were to be outsourced to the non-government sector, what safeguards and safety nets would you put in place to make sure that, in your view, the level of service provided by the non-government sector was the same as the government sector?

**Ms McMILLAN:** First of all, for the non-government there needs to be more adequate training and in-depth training, not this passing down the hands and just sign a form and indemnity is covered. Also the fact that we have in the government sector audits on our houses very regularly—six to twelve monthly.

**CHAIR:** And that does not happen now?

**Ms McMILLAN:** No, not in non-government. In the government it does, we just had one, and they go through all the paperwork of all the clients and they read it in depth. If something has been cut and pasted, they can tell you, or if something is not adding up. In the non-government they do not tend to have audits. The house does not have audits internally until something goes wrong, and then a complaint will be lodged and then an auditor will come out and go through everything to find out and try to correct the problems. I have been in non-government houses for three years and never seen an audit done at all.

**Mrs BARBARA PERRY:** Would you know at your level what your position is? Would you know if there was to be an audit?

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** You would know that?

**Ms McMILLAN:** I have done management in both government and non-government organisations as well.

**Mrs BARBARA PERRY:** I suppose you would say that this is what needs to be implemented?

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** Which is Maslow's hierarchy of basic human needs?

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** Can you explain that?

**Ms McMILLAN:** It is the basic needs a person has—anybody, whether it be vulnerable clients or yourself—and most organisations will at least get to the basic lines of shelter and food, et cetera. As you move up each one of these levels, like safety, self-esteem, feeling complete through working, et cetera, this is when people start to feel happy as a whole and more balanced as a whole. This is something we strive for within the government in terms of having a higher rate of our clients being employed, having family contact, sociable outings and knowing that the houses are owned, not rented. In non-government they rent 90 per cent of their houses and they are constantly moved around if the landlord wants the house back or if the neighbours are complaining that there is too much commotion coming from the house because of challenging behaviours and things like this. They will move clients quite regularly and then this breaks down because they do not have stability in safety, they are not constantly knowing their shelter, and most of them are in activity programs rather than job programs, feeling self-worth.

**Mrs BARBARA PERRY:** Are they your dot points?

**Ms McMILLAN:** Yes.

**Mrs BARBARA PERRY:** From where did you get the information?

**Ms McMILLAN:** Those bottom dot points are my information, in relation to a lot of them. That is how the Government monitors these.

**Mrs BARBARA PERRY:** From where did you source that? Is that from your experience?

**Ms McMILLAN:** This bottom part is all through my experience. The top part is all Maslow's, and then from the non-government versus Government is how it proceeds into that.

**Mrs BARBARA PERRY:** How do you work out percentages, for example, with medication?

**Ms McMILLAN:** We have a medication audit done three monthly. I have seen the level of errors through internal medication audits. We actually have the graph on the levels of these things.

**Mrs BARBARA PERRY:** You have sourced this information from things you have seen?

**Ms McMILLAN:** Yes.

**CHAIR:** From the non-government organisations have you seen a difference between not-for-profit providers and profit providers?

**Ms McMILLAN:** Yes. The ones that are non-profit tend to try to put more back into the resources, but they are pretty much still on par.

**CHAIR:** Mindful of time, thank you again for your time attending today. Your submission has been greatly received and has provided valuable input and feedback. We appreciate your time today.

**Ms McMILLAN:** Thank you very much everyone.

**(The witness withdrew)**

**(Short adjournment)**

**GEORGE HENRY RYAN**, Retired, and

**JILLIAN LYN CLINCKETT**, Teacher, affirmed and examined:

**CHAIR:** Thank you Ms Clinckett and Mr Ryan for appearing before the Committee. In what capacity are you appearing?

**Ms CLINCKETT:** I am a teacher and I am appearing as a parent for my son Matthew.

**Mr RYAN:** I am the father of Matthew.

**CHAIR:** I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result from information you provide. I should point out also that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today, the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Ms CLINCKETT:** Yes.

**Mr RYAN:** Yes.

**CHAIR:** Before we proceed with any questions, would you like to make a brief opening statement of not more than five minutes?

**Ms CLINCKETT:** Yes. Our son Matthew was born on 13 September 1986 and was diagnosed with severe autism and global developmental delays prior to two years of age. He had early intervention at home and at preschool in Port Macquarie. He was schooled in a special unit at primary school and at high school and on leaving high school he went into a group home at Karangi, which was run by the Government. They endeavoured to get him moved closer. After about 18 months he was moved to Wauchope, which is quite close to where we live, into a group home in King Creek Road, where he now resides. He has extremely challenging behaviours, communication and sensory problems, and aggressive and assaultive behaviours such that he was given the top level of funding for his day program. But three NGOs have failed to be able to provide him with a day program to date, and they are the only ones in the area. So his day program is now actually run by DADHC, which I think are very few and far between because we have been told that they were not able to do whole-of-life programs and that he did have to go to some outsourcing for his day program.

Over the years and since those statements he is now actually given a day program by the group home staff. I feel the government staff are very highly trained. I suppose because of tenure and long service with the government they retain very highly qualified people—a lot of ex-psych nurses and so forth. I feel with an NGO you are not going to get that level of expertise and experience. NGOs usually look for the cheapest staff. I am wondering also if it was to go to an NGO, which operate on a theory of profit, what is going to be cut, like staffing for instance. Experience and quality may go out the window with staffing and also staffing numbers. Matt requires two staff when he goes out on excursions and also at times through the house. Because of the mix of clientele, high staffing ratio are required for the safety of all concerned, both staff and clients.

I am wondering if food quality may go to cut down on expenditure. Things like power will be cut back, outings will be cut back because of fuel costs—at the moment the closest psychiatrist available is in Newcastle. Will visits be cut back to psychiatrists to review medications and such things? Access to government speech pathologists, occupational therapists and programmers is now readily available because it is all encompassed under a government umbrella. If his group home was to be outsourced to an NGO I wonder how hard it would be for him to access those services which, at the moment, seem to be making good improvements in his behaviour and quality of life. I wonder how all that would be affected by privatisation. At the end of the day non-governmental organisations are established for profit making whereas government provides the community with services when and where they are needed.

**CHAIR:** Taking you back to when you were talking about the three non-governmental organisations that failed to provide the services or make headway with your son, could you give examples of that?

**Ms CLINCKETT:** Yes. Firstly he went to IDAFE and he was thrown out of that service. We had a few chances but because of his aggressive behaviours and another person who attended IDAFE who he was very irritated by, it did not work.

**CHAIR:** Was that in a group home situation?

**Ms CLINCKETT:** No, that was the day program. The person that irritated him is in the group home situation. The Government has done a good thing there too; it has moved the person that irritates him out of the house proper because an assault was going on, on both sides. That person cannot access the main house building where he is. That was a government initiative. I doubt whether that would happen with a private concern. The second day program was Adult Community Education Service (ACES). It was once again assault behaviours and then they felt they had an inability to deal with him. The third was Lifestyle Solutions that began 12 to 18 months ago. We went to many meetings but never even really started. They said they would take him on and then they could not find anyone trained or capable enough to look after him so it never started. For quite a while he had no day program until the house got permission to run his day program and now he has a good day program happening.

**Mrs BARBARA PERRY:** What does the day program that is run currently involve for your son?

**Ms CLINCKETT:** It involves a variety of things. It involves some self-care things such as shaving and teeth cleaning; it has a cooking element where he is learning to prepare his own breakfast and make some lunches; it involves him doing laundry, under supervision of course because he has to be prompted the whole time to do everything or it would not happen; and it involves physical activity to burn off some of the energy. One of the things at the moment they are about to start doing is involving him in helping to make a bike track. There are 14 acres on the property and he is going to help dig and smooth out a BMX bike track with hills and things. He does bike riding. He does a lot of swimming because swimming calms him and burns off a lot of energy. He seems to like to be under water and the pressure of it all. The government workers have been looking into providing him with a machine from America that gives pressure and pressure vests and blankets to calm him.

**Mrs BARBARA PERRY:** What you are really saying is that from your experience the non-governmental organisation sector was unable to cope with your son. Do you think it is because he has the consistency of care in the group home, where they had experience in dealing with him and have learnt by trial and error that it has been a success?

**Ms CLINCKETT:** That is a component of it. A big thing is that the staff there are extremely experienced and with the clientele there that is a big thing. I suppose it is a combination of that but there are staff coming and going there. There is staff turnover and people get moved to other homes in the area and new staff come in, but because of the experience base they are able to train those people.

**Mrs BARBARA PERRY:** Can I ask you about your experience which I understand has been primarily with the government sector? Have you ever had recourse to complain on Matthew's behalf and, if so, can you tell the Committee how that was dealt with?

**Ms CLINCKETT:** When the new day program came in—I cannot remember what it was called; there have been a few name changes—he was given what I felt was an inadequate level of funding and it did take a little bit of fighting on my part to get it up. It was eventually taken up to the maximum level.

**Mrs BARBARA PERRY:** Have you had any complaints regarding care?

**Ms CLINCKETT:** There was one incident when he first went out to the house of a staff member there that we felt had assaulted Matthew. I was happy with the way that was dealt with. An independent ex-police person was brought in to deal with it and investigate it.

**Mrs BARBARA PERRY:** From outside both the group home and the Government?

**Ms CLINCKETT:** Yes.

**Mrs BARBARA PERRY:** At whose suggestion was that?

**Ms CLINCKETT:** I am not sure. Once the complaint was put in that was arranged.

**Mrs BARBARA PERRY:** That was the process?

**Ms CLINCKETT:** Yes.

**Mr KEVIN CONOLLY:** A number of submissions to the Committee have made a distinction between for-profit and not-for-profit non-governmental organisations. I am not familiar with the ones that you mentioned. Are they for-profit or not-for-profit providers in that area?

**Ms CLINCKETT:** I would say they were for-profit. The original IDAFE might have been non-profit because it was begun by parents of children with disabilities, but it has since been taken over and is now called NewIDAFE and I think it is a profit-making concern.

**Mr KEVIN CONOLLY:** Do you have a perception at all—because of your limited experience, you may not—whether there is a difference in how that might work for clients between not-for-profit and for-profit organisations generally?

**Ms CLINCKETT:** Maybe I am a bit sceptical, but I believe all non-government organisations would want a certain amount of profit, but some more than others. Even charities need to make money to keep running, branch out, further their charity work, or whatever.

**Mr KEVIN CONOLLY:** Another thought raised with the Committee is that there probably will be a residual role for government to directly provide services in the market gaps that non-government providers just cannot meet; whether because of geography or because of the intensity of the need for a particular specialisation sometimes the government will have to be the one to step up to the plate. Do you think this is an example of that?

**Ms CLINCKETT:** I think this would be a very good example of that. I cannot really imagine a non-government organisation that might want to take on this particular group home, unless it were given an awful lot to do that.

**Mr RYAN:** All of the people in the home that Matt is in have great difficulties. With Matt particularly, noises and things of this nature really upset him; he can become quite aggressive. In the home that he is in now he is quite stable on most occasions; but when he leaves the premises and goes on any outing he requires two attendants or two carers to go with him on the bus.

**Ms CLINCKETT:** Not the government bus, but the home's van.

**Mr RYAN:** His needs are great.

**Mr KEVIN CONOLLY:** Because of the very challenging natures of the persons in this particular group maybe it is beyond the scope of others to provide this service.

**Mr RYAN:** I think so. As the home is now, it is well managed, and the people in the home are cared for and managed very well. The staff are really good at doing their job.

**Ms CLINCKETT:** All the clientele there have dual diagnoses and extremely challenging behaviours of some type or another. Most of them are a lot more vocal than Matt; they vary, but they all have difficulties.

**Mr RYAN:** The other thing with Matt is that he needs to be prompted in every action that he carries out, whether it is cleaning his teeth, or his hygiene. Even if he wanted a drink, he would not ask for a glass of water; and he would not ask for food. The food could be there; but he won't touch it unless he is prompted.

**CHAIR:** Mr Ryan, you have stated that although the three non-government organisations were unable to provide programs for Matthew they bid for your services. Should there be some sort of level of accreditation, or a star rating system, which would in the first instance benchmark that these non-government organisations were able to operate in that environment, before they even got to talking to you?

**Mr RYAN:** I would think so, yes.

**CHAIR:** How would you see that evolving?

**Mr RYAN:** I will speak for Matt, not the other clients. With Matt, the benchmark would need to be set so that, first of all, they provide the care that Matt requires and, secondly, provide the safety that he also requires and be able to control his emotions pretty well. With Matt, it is little things like noise and light that upset him. And he has a fascination for certain things, like electronic monitors, and if somebody else has one Matt might tend to move to somebody else's equipment. So I think the benchmark needs to be set very high; it is very difficult to say what Matt is going to be like in five minutes time.

**Ms CLINCKETT:** I think it would need to revolve around physical things they had to offer, how things were set up physically, and also numbers of staff available; but it is mostly the training and knowledge of the staff. Some people go to TAFE and do a six-week course and come out with a certificate; if they think they could deal with someone like that, somebody is going to get hurt, either Matt or them.

**CHAIR:** Would the three providers who were basically bidding for your business have been funded accordingly if you had agreed to continue to have Matthew with one of those providers? Is that how you understand it?

**Ms CLINCKETT:** We were not allowed to have him continue with the first two because he was refused service by them; and with the third one, it never really got off the ground. We asked to be included with staff on interview panels at the new place that they were setting up; and the only people that they had selected to work with Matt were people who had actually worked with him in other services and failed, so we said, "Well, how is this going to work?"

**CHAIR:** How were they to be funded? Did they already have the funds to provide those programs for Matt?

**Ms CLINCKETT:** Matt was funded for his day program.

**CHAIR:** So they were bidding for your services?

**Ms CLINCKETT:** Yes.

**CHAIR:** That brings me back to the point: if they were not able to help Matt and work with him, there should be some criteria that suggest they should not be in that ballpark.

**Mr RYAN:** Yes. They dropped out once they realised they were not able to provide the necessary forms for Matt; they just dropped out, yes.

**CHAIR:** Should there be a star rating system, do you think?

**Ms CLINCKETT:** I am not sure whether that would work or not, because with a lot of people it might appear on paper that they can deal with them. They might think they can, but when it comes to the reality of it, they realise they cannot.

**Mrs BARBARA PERRY:** You spoke about your son's needs, which is an individual needs assessment. An accreditation assessment is much broader than that, if that was to be a way that things were looked at. But, talking about individual needs and the things you describe about Matthew and the needs that he has, the idea of having a person-centred way of doing things is that people and carers are able to choose the services that they need. Obviously, that will be quite difficult for Matthew and yourselves because the Port Macquarie non-government organisations from which you could purchase services for day programs or respite cannot meet your needs or Matthew's needs. Is what you are really saying that government programs still need to be there as a safety net for that very pointy end of this spectrum?

**Mr RYAN:** Yes.

**Ms CLINCKETT:** Definitely. I mean, a star rating might sound good, but every person with a disability, regardless of what it is, is an individual and you cannot just group them into this nice little basket and say that will fit him because he is at that level. Not all people with autism are as difficult or as aggressive as

Matt, yet they might be classed as being on the same level of autistic functioning. Whereas some of them could come in here and sit here happily through these proceedings, Matt would not be able to do that. So everybody has to be looked at individually, not just lumped into a cluster, on the basis of, "You're a three-star rating, so you go there."

**CHAIR:** Just to clarify, Ms Clinckett, we are talking about a three-star rating or an accreditation of the non-government organisation. Do they have the level of service provision to be able to deal with the level of challenges, say for Matthew?

**Ms CLINCKETT:** That is what I meant. If Matt is around that level, they might say he should fit into a three-star or a four-star rating service. But it does not necessarily mean that he will be able to.

**CHAIR:** How could the three organisations that you have had experience with do it better? What do you think they need to do in a community such as Port Macquarie, Dubbo or Moree to provide that service? How could they do it?

**Mrs BARBARA PERRY:** Day programs.

**Ms CLINCKETT:** Day program service, yes. They need much more experienced staff. That would be one main thing, I should imagine.

**Mr RYAN:** Yes, continuity of the personnel each day. If Matt went to this day program they would need to have regular persons providing that for him. Matt does not accept change very easily and that was one of the things that upset Matt when he was attending Independent Development and Further Education [IDAFE]. Virtually each time he went in there was a different person giving him care. Matt has the capability of reading people and he is fairly strong willed and if they do not meet his personal criteria he becomes aggressive and may run. I have paperwork here of assessments of Matt if you would like to have that included to see where he is at. I could leave that with you if that is necessary.

**CHAIR:** Thank you. That would go on the public record if you were to submit that. I am happy for you to leave that. I am comfortable with the fact that we are talking about service provision and how we can best do it in terms of government and the non-government sector.

**Ms CLINCKETT:** I think training of staff and staff experience is a very big thing for hard-to-handle clients. I think the NGOs does do not have those kinds of personnel and they do not pay wages that are going to attract those kinds of people to come and work for them.

**Mr RYAN:** Yes, to retain those people.

**Mrs BARBARA PERRY:** One of the things raised this morning by Northcott was the issue of pay equity between government and non-government. Is that the only issue in your view—the difference in pay?

**Ms CLINCKETT:** Not the only issue; it is one of the issues. I am a government employee and security of tenure and things like that give you a comfortable feeling about where you are employed whereas working for an NGO perhaps might not be quite the same. I think a lot of people like to work for the Government because they know they can commit to buying things or doing things because they have security of employment. That way you get experienced staff because they have been there for some time.

**CHAIR:** In your experience with others you may have spoken to, how difficult is the environment where they have a son such as yours trying to find appropriate care that provides you with peace of mind?

**Ms CLINCKETT:** Very difficult. For the first four years Matt was in care I lived with my mobile phone and he had a bracelet around his arm with my mobile number and home number. It is not easy to feel entirely comfortable but I think we are at a place now with where he is where we feel confident of them caring for him well and having his best interests at heart and doing everything they can to supply him with the best service and care possible. There is the further care from other government areas that help in his care. We had a meeting a couple of weeks ago with a speech pathologist, an occupational therapist and a planner who are all working and we are trying to coordinate it together so we are all coming from the same place and he is getting consistency with everything.

**Mr RYAN:** It seems to be working.

**CHAIR:** It sounds like he is in a good place.

**Ms CLINCKETT:** Yes, and we do not want it to go downhill.

**Mrs BARBARA PERRY:** Given your experience in the system—I appreciate you have not had much experience in the non-government sector because of the challenges and the reasons he did not end up there doing the day programs—what safeguards or safety nets would you like to see the Government put in place to ensure services and levels of care are maintained and improved in the non-government sector?

**Ms CLINCKETT:** That is hard. Things can look good on paper but they might not necessarily be happening in reality.

**Mrs BARBARA PERRY:** So it would be how things are checked, the outcomes and how things work out?

**Ms CLINCKETT:** Yes, all the checks. It would have to be very closely monitored.

**Mrs BARBARA PERRY:** Do you as parents know about the monitoring in your son's group home? What sorts of levels of accountability and monitoring exist?

**Ms CLINCKETT:** A lot of paperwork is involved in everything from health plans to money. Someone from the Ombudsman's office comes in regularly and checks how things are going.

**Mrs BARBARA PERRY:** It gives you a level of comfort?

**Ms CLINCKETT:** Yes.

**Mr RYAN:** It does. His medication is administered and he does not get any medication without a doctor's authority—things of this nature. I might add that Matt does come home for a few hours each week and is left in our care and he enjoys that break from the home. He does this each week. He is improving. Up until just recently he was not able to come home, his aggression was too great. But the improvement is such he is able to come home and he enjoys coming home for that time. But at the end of the time he is ready to go back to his own accommodation. He understands that and he likes to go back.

**CHAIR:** Thank you very much for taking the time to travel here and provide valuable feedback to us today. From the many stories we hear not only as part of this Committee but also as members of Parliament in the community about the way some people are struggling it gives me great heart to know that Matthew is in an environment where he is being looked after in the best possible way and you have peace of mind and feel confident about the way he is being treated.

**(The witnesses withdrew)**

**ROSLYN MORTON**, Manager, Sutherland Shire Community Transport, and chairperson, Southern Community Care Development Inc. Management Committee, and

**MELINDA PATERSON**, Sutherland Shire Home and Community Care Development Officer, affirmed and examined:

**CHAIR:** I draw your attention to the fact that evidence is given under parliamentary privilege and that you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today, the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Ms MORTON:** Yes.

**Ms PATERSON:** Yes.

**CHAIR:** Thank you for appearing before the Committee today. Do you wish to make an opening statement of not more than five minutes in duration?

**Ms PATERSON:** I have 15 years of experience working with Home and Community Care. Southern Community Care Development is a very small organisation. We currently employ 1.8 staff, which will drop to 1.4 on Wednesday due to a change in staffing. Our history is based in a community care development project that was established in the mid-1990s. We were formed with a focus on providing quality services for younger people with disabilities, frail aged people and carers in the Home and Community Care program. We believe the hallmark of providing quality services is client choice and empowerment. We come to this Committee with a belief—and it is emphasised in our submission—that a mixed economy is the best option for the delivery of human services for our constituents. The submission outlines the different reasons that people prefer government or non-government services. The previous speakers talked about government services being services of last resort, and we have seen that in the Home and Community Care program.

We also have a mix of private and not-for-profit non-government organisations in Home and Community Care, which seems to work quite well because at the end of the day they must meet quality standards as part of their funding agreement. Our management committee reflects that mix. We have members who work for large non-government organisations, small non-government organisations and one private provider. We believe that as long as an organisation meets the quality standards it should be able to provide services.

We also believe that there are some services that government cannot provide, and the services we provide are examples of that. We do not believe that the community development work that we do, and particularly my role as Home and Community Care Development Officer, can be done by government agents. That is no reflection on the quality of those workers. It is about developing relationships of trust with funded organisations and it is difficult to do that when you are also working for the funding body. Over 15 years I have been able to develop those relationships where services rely on and trust the information that I give them. They come to me seeking support and advice and they know that they can do that in a safe way.

At the end of the day, my only interest is to improve the quality of services provided to our constituents. I have no other interest. The organisation does not do direct service delivery, so we are not competing with any of the clients of the Home and Community Care program. We look forward to questions around the issues that have been discussed with previous speakers, including resource allocation, pay equity and the staffing issues that come up in the Home and Community Care program. Thank you.

**CHAIR:** What sort of feedback on your work are you receiving as you consult with community care organisations and agencies? What are the views of the community care organisations of the current state of the sector?

**Ms PATERSON:** As members possibly know, the Home and Community Care program is in the midst of a three-year transition. At the time of writing our submission, 100 per cent of the funding agreement for my organisation was with the New South Wales Department of Family and Community Services. As of 1 July, we

have had split funding agreements. My service has a 68 per cent funding agreement with the Federal Department of Health and Ageing and 32 per cent with the New South Wales Department of Family and Community Services. That is just one small part of a series of reforms that Home and Community Care services are grappling with at the moment. It is certainly a very challenging environment. That is also coupled with issues around recruiting and retaining staff because of pay levels. The services are certainly struggling and they are looking to someone like me to provide them with support and up-to-date information about those issues.

We are moving towards person-centred service delivery, which the Committee talked about with previous speakers. That is really exciting. In the Home and Community Care program we have been talking about wellness and enablement services for a while now, but it is very definitely in the short-term future for disability. Ageing, Disability and Home Care will retain the disability part of the Home and Community Care program in the future. After 2015 it will probably not be called the Home and Community Care program, and we are not sure what it will be called. This Inquiry is an exciting opportunity to put in place some of the systems that will support that person-centred service delivery model in the future and to ensure that our clients have the full choice of quality services that they need.

**Mrs BARBARA PERRY:** I understand everything in the Home and Community Care program has been transferred to the Commonwealth for over 65s, including those with disabilities.

**Ms PATERSON:** Only for people aged over 65 with a disability. We are talking about 30 per cent of HACC being young people with a disability. I think the actual number is around 50,000 in New South Wales who will remain with Ageing, Disability and Home Care.

**Mrs BARBARA PERRY:** I wanted to clarify that.

**Ms PATERSON:** Previously it was a 60:40 split, but it was fully administered by the State Government.

**Mrs BARBARA PERRY:** I clarified that because I think you indicated—and I may be wrong—that Home and Community Care services will remain for disability, but that is in relation to—

**Ms PATERSON:** We do not know the detail of either group after 2015.

**Mrs BARBARA PERRY:** My understanding of the previous person's evidence—the mother of Matthew—was that she was not talking about the Government being a last resort, she was talking about the need, particularly at the pointy end, and this is just her experience, for government involvement from the pointy end, not as a last resort.

**Ms PATERSON:** I guess that is my personal definition of last resort because I think for some clients their needs are so complex or so unique that the government provider ends up being a last resort because in that example they are unable to have their needs met through the other non-government providers.

**Mrs BARBARA PERRY:** You are a service that does not do direct delivery, and you have been around for a long time as a service that collates research and information and does advocacy for the organisations that are a part of your service. I would like to talk to you about what you know about two things in the services that you advocate and work with; first, what you know about their internal complaints systems, based on your research—how adequate they are and the monitoring of those and how well they are done.

**Ms PATERSON:** The HACC services have to comply with the Community Care Common Standards. Previously it was the HACC Standards. The Common Standards now apply to some of the aged care programs as well. Under the current system they receive an assessment visit every three years, which follows self-assessment, which they do largely on paper. The actual visit they receive from assessors from the government funding body, which includes interviews with staff, board members and clients to validate the contents of the self-assessment. Having been around in HACC for a long time I have seen the standard systems improve over the years. I think funding bodies, particularly ADHC at a State level have made great efforts over the years to improve their understanding and, I guess, their unofficial as well as official monitoring of services.

**Mrs BARBARA PERRY:** In that respect you talk about conflict of the funder and you are talking about now the improvements. Do you not expect that the funder should be able to oversight at the same time? Do you not expect that or why is that such a problem?

**Ms PATERSON:** It is not a problem. I firmly believe the Government should be checking out what is happening with public money, and that is certainly what it comes down to at the end of the day with the Standards, making sure that the consumer is getting what the public is paying for. I realise I also need to answer your question about complaints. Having an internal complaints system is a requirement of the standards as it was under the HACC standards previously; so all HACC services have internal complaints systems. Most of them will have it as part of their brochure or their client handbook. These days, with technology, a lot of services have websites as well, so that information is on the website. They have very detailed policy and procedures about how to deal with that.

**Mrs BARBARA PERRY:** What about accountability in the sense of being required to report the complaints and publicly report those complaints?

**Ms PATERSON:** Under the HACC services we have not been required, up until now, to publicly report. I understand as part of the new thoughts for community care in the future that there will be more public information—a website a bit like the Your School website is going to be for aged care in the future. As part of the ADHC funding agreement, certainly up until 30 June, there was a requirement to notify the funding body of any serious complaint or any issues that involved risk to clients.

**Mr KEVIN CONOLLY:** This question is for either of you to answer. Some of the submissions coming to the Inquiry have talked about the competitive tendering process the Government uses and suggested that it works against collaboration—that different organisations might have good ideas but want to keep them in-house in order to win a tender and so the cross-fertilisation that might otherwise occur does not happen. Could you comment on that and how that issue might be addressed?

**Ms MORTON:** Yes, it is an issue and it is an issue between local providers, who often are looking to how best they can work together to provide a wider range of services, for instance, for their clients. As you know, I am running a community transport service so obviously my service delivery to the wider community is limited because I can only do transport. But obviously I work with other service providers who might do respite care, food services, whatever. The difficulty in working in a really close partnership is that competitive tendering process or just the knowledge that by sharing all of your details across the sector could work against you—not always that it could work against you when it came to putting in a tender where you pretty much have to say that you are the best even though Joe Blow down the road is quite adequate as well. That does make it difficult.

It also makes it difficult when you are trying to work with people, particularly if they are a little bit outside of your local area. In my case it might be another community transport across the other side of Sydney. There is a recognition that "We are never going to get funding for your area so why should I bother working with you?" That sort of thing is quite typical. How you can fix that, one of the ways around it could be that the historical nature of the services is taken into account on an equal footing or on some level when you are looking at the tender. I think we have mentioned in our original submission that it is an issue for smaller non-government organisations in lodging tender submissions in that we do not have the staff or the capacity to have someone whose sole job it is to just write tenders. So that again leaves us with an unequal playing field. I think there needs to be a lot of recognition in supporting organisations to work together as part of the tender process rather than be as sort of an underlying issue that is not addressed.

**Ms PATERSON:** If I could add to that? I have been on a number of tender panels for ADHC over the years, both the HACC program and for the disability services program. I think there is a lot to be said for how the process is run and how the tenders are read and what criteria is used to make a decision. In the HACC program they have never been called tenders; they are called expressions of interest. While the budget is one of 10 criteria, it is very definitely the last criteria; they are not price-based competitive processes. ADHC panels are very much focused on quality of services, innovation etc.

The panels I have been on I have felt very comfortable with the outcomes that have really chosen which application reflected a passion for the service delivery and an ability to meet the needs of the clients rather than issues of price. Certainly I have been on panels where the little organisations have not had particularly slick paperwork but they have beaten out the larger ones at the end of the day because they have that passion.

**Mr KEVIN CONOLLY:** That is certainly heartening. Does it still address that issue though that people might want to keep their good ideas to themselves?

**Ms PATERSON:** No, definitely not. Part of my role has been running regional or, in my case, subregional HACC planning processes. Annually we have a get-together of the services to identify what the unmet needs and the gaps are in the area. Over the 15 years that task has become more and more difficult because the services are more competitive and more concerned about sharing their ideas. There have certainly been challenges for me in running those days to set them up in a way that keeps services focused on the needs of the clients rather than the needs of their organisations for resources.

**Mr KEVIN CONOLLY:** Do you have any ideas about how to address that?

**Ms PATERSON:** Absolutely. The first step is to focus on the clients and their needs and then to look at where the money goes after that. I think the issue of resource allocation also comes into play when we have government and non-government providers because it appears that the government organisations get their direct allocations out of budget before things go to tender. I do not recall ever reading a tender from the Home Care Service of NSW or from NSW Health, for instance, for Home and Community Care money. They always seem to get it skimmed off the top. While I do not have a particular argument so much with them getting money first, my concern is that that money is allocated on their needs which is around what resourcing they need to run their services and to pay their staff.

The reality is government-employed staff are paid at much higher levels than non-government organisation staff. Arguably in some cases there is a 20 per cent gap between what a non-government organisation worker and a government worker in similar roles gets paid. For instance, I have been in my role for 15 years which involves supporting some 40-odd services, supervising staff, managing a budget and writing policy and procedure. But someone in that role is still paid less than the entry level for a project officer or SSDO in Ageing, Disability and Home Care Services. No comment on how hardworking those people are but they do not have the same level of responsibility or the same depth in their roles and they have many levels of management and supervision above them. In their job descriptions everything they do is around recommendation rather than having end-of-day responsibility as I do.

I think you have received a submission also from Mr Enis, Development Officer, Home and Community Care in eastern Sydney. In his submission he made reference to a report from the Productivity Commission a couple of years ago that found that non-government organisations can receive as low as 70 per cent of funding that government organisations receive to do the same thing.

**CHAIR:** You mentioned in your submission that often non-government organisations have tendered for new funding and so-called viability funding. You also talk about NSW Health being treated not as stringently as non-government organisations. I refer to government versus non-government organisations and pay rates, about which everyone talks. The Committee has heard frequently that people in government organisations get paid better than people in non government-organisations. Obviously people like you do it for the love of the job rather than crossing over to government. How do you fix that pay inequity?

**Ms PATERSON:** I think there has to be greater equity in the resource allocations to begin with. The other issue, aside from pay inequity and the retaining of staff, is that we do not get capital investment money or sufficient money for staff learning and development. What sometimes makes government services better, which may have been the case with the previous speakers, is that they have a lot more to draw on in government. For instance, the Department of Health has access to the Health Interpreter Services. Non-government organisations have to pay to use interpreters. Ageing, Disability and Home Care draws on specialist workers around behaviour management and things like that and, because they have a larger staff pool to begin with, they can also draw on language-specific workers, if not from their own branch from a neighbouring one, and things like that.

**CHAIR:** How do we fix it? I know you said that government can call on its resources, but how do we make sure that the non-government sector has the funding? For government to employ that sector, as it should, how does it make sure it has that funding?

**Ms PATERSON:** I think we have to recognise properly what is the cost of providing a quality service and fund it accordingly, irrespective of who is the provider. One has to remember in the Home and Community Care program that a lot of our staff are not paid at all because we place a heavy reliance on volunteers for service delivery. Obviously some people are happy doing that and they are not looking for paid work and there

is certainly a lot to be said for social capital. It has been my belief over the years that some Home and Community Care services in my area have been funded at less than what they should be with the expectation that they are going to use volunteers. Government departments are never asked to use volunteers. I think probably Ms Morton can talk about that because it has been a real challenge for community transport.

**Ms MORTON:** One of the issues in community transport around that inequity of pay is that the paid driver of a car taking a person to a medical appointment is on around \$18 to \$20 an hour, depending on the vehicle he or she is driving. I would argue that there would not be a cab driver in Sydney who would work for \$20 an hour.

**CHAIR:** Are you saying that is high or low?

**Ms MORTON:** Low. The other issue is the pay equity across the management teams in service delivery. I think you will find in government departments, as long as they are in human services, they would be paid on the number of staff that they supervise. That is one of the gradings on which people are rated when you are looking at what award they are going on, or what grade they are on in a public service department. For instance, I have a team of 140, 40 of whom are paid and the remaining 100 or so are volunteers.

**CHAIR:** Who pays for them?

**Ms MORTON:** The initial payments come out of our funding that we received through Home and Community Care funding and through Transport for NSW funding. The reimbursements for the volunteers and all the subsequent management of those volunteers has to be pretty much done as a sideline because that is not funded at all. It does not appear in our funding documents at all. It is an inequity in what we pay as in dollars, but it is also an inequity in what we recognise as the value of the workers in the not-for-profit sector or non-government sector.

**Ms PATERSON:** I thought the comment of the earlier speaker about security of tenure was really valid in relation to government workers. The interesting differential I see is that government workers who work at field worker level—so those sorts of in-home workers employed by the Home and Community Care Service—tend to stay in their jobs for many years. However, the people at higher levels, at policy and project officer levels who are the people we deal with seem to change very often. In fact, non-government organisation workers like me have become the corporate memory of the Home and Community Care program and community care in general. It is not unusual for me to field inquiries from workers in the funding body who want an interpretation of some aspect of the guidelines because I am more familiar with it than they are.

**Mrs BARBARA PERRY:** You deal with 40 organisations. Outside of the standards what systems do they have in place to ensure quality of service?

**Ms PATERSON:** Well, because they are all individual organisations they all have different systems and they absolutely do use the Standards as the lowest common denominator, I guess. You cannot even make assumptions that small organisations have less detailed systems than larger ones because I know some small organisations who have very thorough checking systems including either weekly, fortnightly or monthly supervision of staff depending on whether the people are part time or full time and reassessment of clients either annually, every six months or in some cases every three months. Obviously they involve conversations about what is going on for those people and if there have been any incidents. They all have thorough systems around reporting, particularly around occupational health and safety because that is a legislative requirement.

Because Home and Community Care [HACC] services tend to be quite transparent and because we work as a network we are kind of watching each other as well. It is part of what I think has kept me in the HACC program because there is a real sense of community ownership and responsibility to the community for these services. If an agency is looking like it is not doing what it is supposed to I will get little phone calls or comments made to me and then I can ask some questions. Obviously if it becomes a duty of care issue the funding body becomes involved. I have actually only had to report duty of care issues twice in my time as HACC Development Officer.

Interestingly, referring to a previous question you asked about government and not being as thorough in checking those services, it probably was not one of the duty of care issues but certainly I brought up an issue around a health auspice service and I was told by Aging, Disability and Home Care [ADHC] staff that we cannot interfere in the business of another government department. That would be one of my concerns about one

government department funding another one, because they will certainly interfere in the business of a non-government organisation [NGO] at the drop of a hat.

**Ms MORTON:** I think one of the other issues about making sure that things are done well and the clients are getting the best service is that the benefit of the non-government organisations—even the big ones—still work very much at a local level. Everybody knows everybody, and that includes the clients and the workers. Particularly in some of the cases where you are looking at small suburban areas or rural or remote communities everyone knows everyone. If anyone is not doing the right thing the word very quickly gets out. It is not something that you have to wait until a government department person comes along to discuss.

For instance, Engadine is a southern suburb of Sydney and part of the Sydney metropolitan area but I could guarantee that every one of my drivers that work for Community Transport knows personally a large percentage of the clients they are providing services for. That means that they are always looking out for them from a different perspective. That community level is really where the benefit of the not-for-profit or the non-government organisations can win out every time against the big bureaucracies. We know the clients and they know us and there is that level of community support and interaction.

**Ms PATERSON:** The next question then of course is how does that sort of methodology keep going with person-centred services if clients have an allocation of money to spend themselves with whatever agency they choose to spend it with? I personally cannot imagine quite yet how that is going to work to make sure that quality happens.

**Mr KEVIN CONOLLY:** In terms of ensuring that quality happens, your submission made a brief reference to a potential conflict of interest between government being a funding body and a provider, and presumably a funding body and a regulator and a provider. Would you expand on that thought and tell me what sort of conflict you could see there?

**Ms PATERSON:** Definitely the issue I have already mentioned about getting money off the top of the budget. It has been really frustrating for us in the HACC program that the Home Care Service has always received a cut of the budget before it comes out to the rest of us. There was actually another Inquiry by the House of Representatives I think two or three years ago about the Home Care Service. I could spend hours talking about that—I won't, but one of the issues is around them not entirely subscribing to the same, I guess, expectations and systems that the NGOs do. An obvious one is waiting lists.

The Home Care Service of New South Wales does not keep waiting lists. They argue that it is a resource issue, because they are so large it is difficult to maintain. However, I can think of half a dozen HACC providers in the NGO sector who are as large as the Home Care Service. One of them in my area is a private provider. They absolutely keep a waiting list. They will happily tell me how many people are on their waiting list if ever I want to ask and they are happy to let me in the door if I want to go and visit.

I guess the question of conflict with government is that it is always going to be difficult to be a provider and a funder but, as we also remarked in our submission, it is actually a benefit sometimes that the funder is also a provider because they know what it is like for the services on the ground. So it is like everything: there are pros and cons. It is about setting up the system to alleviate or minimise those conflicts. Certainly the Home Care Service has done some really good work over the last few years on issues that the sector and the NGO sector could not have done without special resources. They have done some great work looking at bariatric services for morbidly obese clients and they have done a fair bit of work round occupational health and safety and set up websites with tools that the sector can access and things like that.

**Mrs BARBARA PERRY:** The funder-provider dichotomy that you are talking about, you would say that the government sector needs to be involved still because not only are there going to be those clients that the NGO sector cannot assist but it is also about maintaining capacity and experience in the government sector and for choice as well. Would you agree with that?

**Ms PATERSON:** Absolutely.

**Mrs BARBARA PERRY:** You would say it is about getting that balance right between government and non-government.

**Ms PATERSON:** Definitely.

**Mrs BARBARA PERRY:** Is there anything else you would like to comment on in relation to that dichotomy?

**Ms PATERSON:** Probably just reiterating what I said before that, yes, keep the government involvement and make sure the NGOs are resourced at the same level as government. I know for Community Transport Ms Morton was talking to me about an example with funding of buses.

**Ms MORTON:** Just for instance because we receive our HACC funding through Transport for New South Wales, when they are funding a for-profit organisation that has tendered for commercial transport, so that is your bus companies providing the suburban bus routes, they are funded at somewhere around a million dollars per bus. This is obviously to buy the bus and then maintain it and provide staffing levels, et cetera, to keep that bus on the road to provide the services. I have to put a tender in for \$150,000 to get a bus that has wheelchair access to reach all of those clients who either physically or geographically cannot access public transport. But the funding difference is so huge between what is provided to get the mass transport and what is provided to get everyone else, basically, who cannot use mass transport. There are some big gaps in that. I know even within the staff at Transport for New South Wales they have difficulty getting their head around the differences between contracting to an NGO and contracting to a for-profit provider.

**Mrs BARBARA PERRY:** As a local member of Parliament I often hear about the high cost of the community transport.

**Ms MORTON:** Yes.

**Mrs BARBARA PERRY:** Why is that?

**Ms MORTON:** Using my organisation as a case in point, we are funded around about \$1 million per year. With that I employ 20 to 30 paid staff and support 100 volunteers. We run a fleet of 20 vehicles. A large percentage of those vehicles are either disability specific—have hoists or ramps or special fittings—and all of that costs a fair bit of money. I am not providing a route-based transport—we do not go down a set road every day and pick up at set times—I am client-centred. A client rings up and wants to be picked up from their home. We are a door-to-door service—that means even so far as making sure the cat is out and the lights are off. We take them to the venue and if, for example, it is a medical venue that could even mean—particularly if it is someone who uses a mobility aide—taking them into the doctor's surgery. We transport people to all sorts of venues.

That sort of door-to-door transport comes at a high cost in terms of the cost of the vehicle such as maintenance. Vehicles used in high levels of peak-hour traffic need to be replaced because of wear and tear, which means we need to put a big chunk of our income for the year—whether that is government funded or client fees—aside to replace and repair those vehicles, and that pushes the running costs up. We need to recover enough out of every vehicle's trip to put away about 57 per cent to replace those vehicles. We cannot guarantee at the end of the contract that we have at the moment that we will be given money to replace those vehicles. We are expected to replace those vehicles out of our ongoing fee structure, and obviously we have to charge some of that back to the client.

People talk about the high cost of community transport and it is in comparison with the \$2.50 pensioner concession; however, it is not compared with a taxi service—they are kerb-to-kerb; we are door-to-door because we go that little bit extra. For example, to bring a client in a taxi from Engadine to the Sydney Eye Hospital—just around the back here—as we did today, would cost a client around about \$80 to \$90 each way, so a client would be looking at almost \$200. My staff would charge a client \$40 for that return trip. It is expensive but it is nowhere near what it would cost in a taxi.

**Mrs BARBARA PERRY:** You also take people to the shops and take them home again and so on. I guess you are saying that there is inequity for those who are at the margins and disadvantaged as opposed to others?

**Ms MORTON:** That is right.

**Mrs BARBARA PERRY:** How do you see that being rectified in relation to this Inquiry such as the outsourcing issues and the contractual and tendering issues?

**Ms MORTON:** I think it needs to be looked at in the same way as one looks at funding an operation which provides buses that allow for the \$2.50 pensioner concession or disability concession or whatever. If community transport was funded at that same rate and we had the capacity—there is a whole other issue about accreditation and all sorts of things that this Inquiry is not covering so I will not go there—of accredited bus operators and accredited transport providers, which you need to be to have a contract with Transport for NSW to get the pensioner concession, we obviously would be able to do that and that would solve that inequity issue. At the moment we are funded as a human services provision that happens to provide transport—this is across the whole of the Ageing, Disability and Home Care services. For example, Meals on Wheels are funded as a human service provision; they are not directly funded to provide meals. There is inequity about what you can buy at the local club, which gets lots of funding for lots of things. So it is across the board but in transport it would definitely come down to dollars.

**Ms PATERSON:** The other thing I wanted to comment on was when Roslyn was talking to the Committee about putting money aside for bus replacement, Community Transport are the only Ageing, Disability and Home Care service allowed to put money aside. Under the current funding agreements Ageing, Disability and Home Care services have to return any excess funds at the end of each financial year. That does not allow any saving up for capital investment in the future. Everything you do has to be within this financial year and within the parameters of this service. The idea of hoarding Ageing, Disability and Home Care money is incorrect.

**Mrs BARBARA PERRY:** Is there often money left over that gets returned?

**Ms PATERSON:** Sometimes services might have a staff gap. I know when I started in my organisation in 1998 they had had a three-month gap from the previous worker so there was a fair amount of surplus, which we had to give back—it was not possible to retain it. It is probably worth stating that our overall funding for the entire year even now—15 years down the track—is only \$120,000 for the year and we spend 78 per cent of that money on my salary and a two-day a week project assistant. We have highly subsidised rent from Sutherland Council and there is not much else left in the budget after that.

I note some of your terms of reference include information technology investment. It would be great to have some more money to invest in information technology. In my job I have only just received my third computer in 15 years. Because there was such a time gap from when I got the previous one, and my software was quite old, we had issues with data transfer. We lost some material and had to reload and stuff like that. In government departments we often hear stories—whether or not they are hearsay or fact—about regular replacement of furniture and computers in offices and new phone systems, which we just do not get in the community. Because there is such a perception by those who work in the community for the love it, it puts a bit of pressure on workers in the non-government sector not to expect luxuries and even comforts in the work environment.

I remember when I started in 1998. I bought a new desk and my administrative assistant at the time was absolutely horrified. Even now when we talk about increasing people's pay there is a bit of peer pressure within the sector that we should not be looking at our own needs; we should be focusing on the client. We would not have to talk in those terms if we were sensibly resourced to begin with.

**CHAIR:** Perhaps there is a conversation for another day. Perhaps those government departments in regions where there are Ageing, Disability and Home Care services struggling for information technology resources might be able to offer turned-over computers to those community-based organisations, which would alleviate some of the challenges you are talking about.

**Ms PATERSON:** The Committee should look into that because I know the Department of Education and Training are not allowed to give computers away.

**Mr KEVIN ANDERSON:** I know in Corrective Services some computers are refurbished. Thank you both for taking the time to appear before the Committee today. You have provided valuable feedback and information to this Inquiry.

**(The witnesses withdrew)**

**(Luncheon adjournment)**



**GRANT WILLIAM MILLARD**, Chief Executive Officer, Anglicare Sydney, and

**IAN STAFFORD JACKSON**, Director, Community Care, Anglicare Sydney, sworn and examined:

**CHAIR:** In what capacity are you appearing before the Committee?

**Dr JACKSON:** I am here at the invitation of this Committee to give information about outsourcing of community services, and acting in my capacity as director.

**Mr MILLARD:** We wrote a submission under my name to this Committee, and I am appearing in my capacity as the chief executive officer.

**CHAIR:** I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Dr JACKSON:** We would be happy to assist.

**CHAIR:** Would you like to make a brief opening statement?

**Mr MILLARD:** I have a prepared opening statement. Thank you for your time to appear before the Committee today. I will give a bit of background about Anglicare Sydney to set our comments in context. We are the social services arm of the Anglican Church for the Diocese of Sydney. Our services are performed in a geographical area spreading from the Hawkesbury in the north to Ulladulla in the south and as far west as Lithgow. Two-thirds of the population of New South Wales live in the area in which we work and serve. We operate hundreds of programs, many of which, particularly the State Government-supported programs, are referenced in our written submission.

We are deliberately diverse in the nature of the services which we provide as it is part of the fabric of our organisation to identify unmet need and then seek to meet such need. This ethos drives an innovative, compassionate culture. I also have the role of the Treasurer of Anglicare Australia and I meet with my counterparts from the various CEOs of the Anglicare New South Wales organisation, who operate as a group. Anglicare Sydney is not a significant housing provider, but relevant to our submission is the broad range of disability and home care services which we provide in the community. We are currently one of the largest providers of respite services in western Sydney, and we have been providing services in the Sydney area since 1856 and operating government-funded services in the greater Sydney and Illawarra for more than 50 years.

The community services sector in which we are engaged is undergoing a tremendous period of change and we experience challenges on many fronts. Since February 2011 Anglicare Sydney has made at least five formal written submissions in its own name and contributed to a number of further submissions made by the Anglican Church with respect to the charities and not-for-profit reform process. We invested the time and effort into participating in the reform process and in writing submissions because we support the recommendations of the Productivity Commission's 2010 research report called "The Contribution of the Not-for-profit Sector", and there are many references to that report in our written submission to this Committee.

In our submissions we have made reference to the Productivity Commission's recommendations as being significantly broader and more far-reaching than what has been recognised by Commonwealth Treasury through its consultation papers. Certainly, what the Productivity Commission recommended was broader and intentionally more beneficial to the not-for-profit sector than the reforms contained within the Federal Government's legislative package. However, we support the formation of the ACNC and we note that within the last hour the Federal Senate has announced its support for the passing of the bill. However, we believe that under any honest assessment the Federal legislation does not meet the mark. What was envisaged by the Productivity Commission has not to date been, nor will be, delivered for the benefit of the sector under the reform process.

We are hopeful of a greater level of cooperation between governments at all levels concerning the regulation of the not-for-profit sector. What we long for is a reduction in red tape, a serious reduction in the costs of compliance in reporting, particularly the reporting of the same information in tenders and acquittals in multiple areas. In the Federal sphere, under the ACNC reform process, there will be significant resources committed to monitoring and enforcement but apparently little to improve the knowledge base of the sector to help access to capital in promoting productivity and social innovation, supporting evaluation and determining the best models of engagement with the sector as recommended by the Productivity Commission. This is a disappointment.

In our submission we have 12 recommendations. I will mention them briefly. First, we wish to see the full cost of service delivery established and ensure that not-for-profits are fully funded to deliver the services. So cost shifting without adequate compensation from the Government to the sector for services, which the Government is mandated to deliver, should not occur. We wish to ensure appropriate indexation of funding to support the outsourcing of government services over time. We wish to see the streamlining of the current tendering process to reduce the administrative and resource burden on agencies and ensure a more equitable and transparent tendering environment.

We wish to see the streamlining of the current tendering process to reduce the administrative and resource burden on agencies and ensure a more equitable and transparent tendering environment. We wish to recognise the importance of building trust and confidence with the sector. We would like to see some uniformity and improvement in the language and transparency of government contracts. We wish to remove multiple contractual and reporting arrangements across departments. In this respect, the report once use often initiative envisaged under the Australian Charities and Not-for-profits Commission [ACNC] legislation is a good start. We would like to implement a common acquittals process with acquittals limited to the end of the contract term. We would like to see collaboration with the Federal government departments to standardise reporting requirements as we do provide services at multiple government levels. We would like to see access to our own data, which is supplied to government departments.

We would like to enhance the capacity of the sector by improvements in information flow across the sector, increased funding for evaluation and development of best practice and action research, support for the development of professional networks, increased access to affordable workforce training funding for piloting innovative approaches to service delivery and developing improved referral pathways, which would make a significant contribution to building such capacity. We would like to ensure that the State Government fully funds the increase in the award rate across the not-for-profit sector as a result of the Fair Work Australia decision and programs which are transferred from government to the not-for-profit sector require funding contracts to be sufficiently flexible to provide increased funding over the life of the contract if non-CPI award wages are to be implemented. Lastly, any increase in wages needs to reflect an approach to parity, not require increased outputs from an already overstretched, under-resourced sector. I apologise for going through that quickly; those comments are in our submission and I wish to thank you for the opportunity to present this afternoon.

**CHAIR:** Thank you, Mr Millard. There are a couple of points that you have raised in your submission. Can you please outline the time and resources involved in preparing a tender and the length of time it takes government agencies to review and confirm which tender has been successful, which relates to some of that red tape reduction you were talking about?

**Dr JACKSON:** It would depend on which department within the State Government is providing the tender. Sometimes the tender needs to be written within two weeks to three weeks, which puts significant strains on an organisation to prepare adequately the tender and the submission, to do the business case, to do all the due diligence that is needed for that process. Others may take up to six to eight weeks. Very rarely is there anything outside that eight-week horizon. In terms of government departments reporting back, again it varies on each department and the type of tender that is being awarded, usually within three to six months. We have occasionally had to wait a bit longer and are never really given any ideas why, so transparency is an issue as well in terms of feedback. It is rare that you get feedback regarding why you have been successful or not successful. The resources needed to do a tender are really significant for the not-for-profit sector. We do not have the depth of resources that, say, some for profit organisations have and we need due diligence before we can actually sign on for what are sometimes quite significant long-term contracts.

**CHAIR:** Given you have said it depends on the department in terms of the length of time, is there an appetite for a one-stop shop that you would go to in the first instance notwithstanding the tender portal that you

first access to streamline the process and transparency in finding out where your tender application is in the system?

**Dr JACKSON:** Anglicare Sydney appreciates the opportunities that governments give the not-for-profit sector in terms of supporting people's needs at the local community level. That is a given and we appreciate the opportunity within this State to do that. That is why we exist—to meet the needs of individuals and communities. It would be beneficial we think if there was a template which could be utilised by a range of government departments in terms of the tenders given. Probably 85 per cent of tenders are common across all departments in terms of the compliance requirements, in terms of the infrastructure needs, et cetera, so we often are faced with doing things over and over again, duplicating a lot of that. Perhaps 15 to 20 per cent of a tender would be particular to that program. That would be beneficial in terms of a template. A one-stop shop—if there was a common tendering document which was used by all departments, that would be helpful.

The other issue that does tend to complicate the process is the requests by State governments over the last couple of terms of government to promote cross-sector or consortium type tenders. When you are given three to four weeks to do a tender and it is a consortium based tender, the time and due diligence required to work with other agencies in the sector is quite time consuming and stressful in terms of their constitutions and your constitutions, and getting tenders which have some complementarity about them, so if you had a common template that all organisations were given at the start of the process that would be helpful as well.

**Mr MILLARD:** Could I add something to that?

**CHAIR:** Yes.

**Mr MILLARD:** The concept under the Australian Charities and Not-for-profits Commission legislation of the charities passport is something which I think we would view as valuable. That is a common set of base information about an organisation, which provides some information that is repetitively given in a tender process about the organisation, its financials, its good standing, the nature of its diversity—all of those issues. That would be something which is duplicated. It is probably more clerical in nature, but it is burdensome in terms of the process. That would be of advantage to get in place.

**Dr JACKSON:** One other point, perhaps similar to what Mr Millard commented on, is that it can be a little frustrating when you are in receipt—our organisation is in receipt of around 140 acquittals when it comes to State government departments and tenders. There would be an assumption therefore over many, many contracts over many, many years that we were in good standing, yet we have to keep producing the criteria and the evidence to support another contract. Sometimes it is actually to complement a program which we are already in receipt of government funds for, it is just added or extra type support, so it can get quite laborious in terms of the time we have and the limited capacity we have.

**Mr KEVIN CONOLLY:** I take it then you would probably be in favour of a pre-qualification kind of scheme where you could get that accreditation once and for at least the duration of a period not have to keep repeating that kind of information on each subsequent tender?

**Mr MILLARD:** That is right, we would support that definitely, yes.

**Mr KEVIN CONOLLY:** I note in your submission there is a reference to potential conflict of interest when government departments are both service providers and regulators of services. Would you like to elaborate on how that plays out in practice and why it is a concern?

**Dr JACKSON:** It is having two hats. An example would be perhaps the out-of-home care sector where the Government regulated the out-of-home care provision by the not-for-profit sector but was also providing out-of-home care itself. To complicate that issue, most of the not-for-profit sector that were providing out-of-home care were regulated around child protection in terms of a regulated child service provider when the Department of Community Services actually was not at the time. There is some conflict of interest in terms of being the provider and the regulator. You are applying for funds by the same people who are regulating you all the way down, and they are also providing complementary type services within the same field, so it does lead to some confusion about the relationship between the not-for-profit sector and government departments.

**Mr KEVIN CONOLLY:** In terms of tangible impacts, though, it is more a perception rather than leading to either service not being conducted properly or either function of Government not being met.

**Dr JACKSON:** I am not aware of any real-time issue. It is more a perception.

**Mrs BARBARA PERRY:** I was going to ask you whether you were aware of any real issues. It is a perception but would you agree that if there are proper rules and regulations it could be properly managed?

**Mr MILLARD:** I think that is right but there is almost a rebuttable presumption that where you have that potential conflict of interests and dual roles you then need to ask the question or satisfy the question that, yes, there is that appropriate separation of duties within the Government and that conflict should not arise.

**Mrs BARBARA PERRY:** Do you accept there will always be some level of government in service provision in the areas you are in—I guess that is the issue—because there is a need for the Government to maintain its own capacity for the very pointy end of issues or because there are no services in rural areas? For whatever reasons there may need to be a remainder of the government sector there.

**Mr MILLARD:** That is absolutely right. We are focused on trying to achieve the best outcomes for clients and the people who use our services so we are happy to implement whatever works.

**Mrs BARBARA PERRY:** You talked about "cost shifting". Would that be better described as shifting the burden of risk? We had some evidence this morning on this aspect. I mean more burden of risk being placed on capital and infrastructure that you have and becoming greater as time goes on.

**Mr MILLARD:** We certainly see a variety of contracts that we have with State Government departments. Some will provide for consumer price index [CPI] increases, some will have no CPI increases. There does not seem to be consistency across the contracts that come across our desk from time to time for renewal and for new tendering opportunities. It seems somewhat odd that where there is a general acknowledgement about growing and increasing wages there is no room for recognition of cost increases in government contracts. By definition that means the provider must either make efficiencies—they need to increase their productivity rate. But bear in mind there is a reduced amount of capital. Not-for-profits do not operate with a great deal of excess capacity.

By definition it means they will seek to be as efficient as they can but inevitably they will end up using their own money and resources, perhaps with cross-subsidisation occurring within the organisation. In our submission we gave a figure of \$5.9 million that Anglicare has used to subsidise or spend on government-funded programs. To be clear about that, that is not saying that these are government programs solely. These are programs that we may have chosen to establish many years ago and the Government has started to support them and we do it, if you like, as partners. It is a significant amount of money and without the contribution to an escalation of costs over time we will see more and more pressure being put on our own resources to supplement the shortfall in government funding.

There is a case in terms of where the capital may be called upon through further outsourcing of government programs. We note in the disability sector the move towards client-directed care funding models, which implicitly we agree with. We agree with a client-directed funding approach and perhaps a move away from block funding. In principle what that means is that the not-for-profit sector will be forced to rely on its own capital and take on increasing risk. We will no longer have certain funding from the Government in order to provide our central infrastructure. We will be taking on market risk and credit risk in dealing with clients. We are happy to have that more intimate, ongoing and perhaps more nuanced and deeper relationship with our clients but there is a shift there in terms of market risk and credit risk, which I think needs to be recognised.

**Mrs BARBARA PERRY:** You obviously talk to others in your sector but would it prevent other organisations taking on that risk down the track if those challenges and issues you refer to are not being met by government? Is that your view?

**Mr MILLARD:** We are concerned about it as a sector. The Productivity Commission in 2010 went into some detail about this situation where you have not-for-profits competing to be the low cost provider and perhaps not fully understanding their cost of capital or the cost to deliver services and as a consequence out-competing each other in order to provide the lowest cost service. That is obviously value destructive for the sector.

**Mrs BARBARA PERRY:** I guess that goes back to your concern that the Productivity Commission report held out great hope for the not-for-profit sector. Do you believe those suggestions have not been delivered on?

**Mr MILLARD:** To date. I was in Federal Parliament last week on a committee with other community sector organisations and there was a common view that we saw the need for the Australian Charities and Not-for-profits Commission [ACNC] and we supported its establishment, but it was going to go nowhere near delivering what was really needed by the sector in terms of capacity building.

**CHAIR:** Some of the organisations that provide community services are religious-based. What impact could the differing religious beliefs and business models have when it comes to encouraging collaboration between service providers to provide a more integrated and person-centred service?

**Dr JACKSON:** The collaboration between agencies within the sector at the moment is voluntary. You will find that most organisations in this sector collaborate or form consortia with like-minded agencies. I have not noticed any impediment in terms of Anglicare's Christian ethos in delivery of services in the sector.

**Mr MILLARD:** We are clearly and overtly a Christian organisation but the scope of our reach is totally non-discriminatory in terms of the faith-based or belief position of the clients we deal with. We are very clear about that.

**CHAIR:** There has been some concern that not-for-profits and for-profits will provide different services to the front line in terms of their bottom line. How do you see that?

**Mr MILLARD:** We wonder about the entry of for-profits into the community services sector. On the one hand we hear stories about their entry into, particularly, out-of-home care, which we were talking about today. The pricing under that arrangement was fairly keen and what is the strategy—

**CHAIR:** Can I interrupt? When you say "fairly keen"—

**Mr MILLARD:** Fairly lean. We wonder what is in the strategy. Are they just seeking to enter the sector to get a foot in the door? On the other side, has the Government got a view about eliminating supply concentration risk? Are they trying to broaden the number of providers? We do not have an in-principle issue about for-profits being in the area—not at all—because our concern is about meeting the need in community. It is not a philosophical issue we have about this. Having worked in commercial for-profit areas for most of my career I understand the need to deliver a bottom line, to have a look at return on capital—all those metrics that for-profits need to provide. I guess I am struggling to think they need to show that dividend; not just a social dividend as we do. Yes, they may be very efficient but at the end of the day they need to show a profit and a distribution from their service delivery to shareholders. We do not have that. Whatever we make, and there is not a lot on some contracts, goes directly back into service delivery. We see that perhaps as an extraction of value from the operation by for-profits and that is the issue I struggle with.

**CHAIR:** Just on that, would you be in favour of a star rating system for service providers?

**Mr MILLARD:** Given that is something we have asked for, we cannot argue against that.

**Mrs BARBARA PERRY:** How does that relate to full profits though?

**Mr MILLARD:** My answer is solely about what we have argued as a not-for-profit and what we see as an expansion of the charity passport-type issue. You have a high level accreditation, a better level of standing for the trusted providers who are achieving good outcomes, who have sound financial backing and a history of good service delivery.

**Mr KEVIN CONOLLY:** I will just take your response about the full profits a step further. Was I right in detecting a concern about possible predatory pricing that would knock out other providers until the full profit entity is left and has price freedom? Is that where that was leading?

**Mr MILLARD:** As part of the issue, we are concerned about the access to capital. We are not unaware of the issue of access to capital that full profits have in order to buy market entry, to buy market share and over time tweak their delivery model. Over time pricing will go up—I assume that is their understanding—and they

will be able to extract greater value out of that. Because they have bought market share and perhaps established critical mass, they will be able to price their services more competitively or they will have a greater share of the market; they will be able to present some greater level of bargaining capacity against government, which at the moment is a monopoly. Not-for-profits are pretty much a price-taker.

**Dr JACKSON:** To add to Mr Millard's comments, as he said, we are not in the business of making a profit, distributing dividends and the like. Our only concern is the support of individuals and communities. The concern about predatory pricing, Mr Connelly, is a concern around the quality of the services provided to people in the local community. One thing the Committee might like to consider is a floor price for the services provided to individuals in communities which indicates an acceptable level of quality assurance regarding services and models delivered. There is a concern there may be a race at the bottom that efficiencies will also be against the effectiveness and quality.

**Mr KEVIN CONOLLY:** In another part of your submission you have expressed a concern that providers do not have ready access to their own data once submitted to Government. Will you elaborate on what that is about and how it would help you to have better access?

**Dr JACKSON:** I can only relate directly to some of the federally funded and State Government funded programs in counselling databases. When provided to departments they are then captured by that department. Once they get to a certain size, those departments then need to develop their own database systems and information technology systems to inform good policy and good practice. Some Federal and State departments have a policy that, once the data is provided, it cannot be retrieved. That is a duplication of infrastructure that we think is rather needless and expensive in the necessity to develop other systems, parallel to what the government departments already have. We are a little bemused about why that is—

**Mr KEVIN CONOLLY:** Presumably a large organisation such as yours would have needed to have that data collection to manage your own quality control?

**Dr JACKSON:** Yes, for some organisations that have one stream of service delivery, it is a given that they have a system that captures data they can manipulate. An organisation like Anglicare Sydney has a whole range of programs across different fields or different sectors. One database does not fit all. It is a frustration that the Government has the data we have provided and they will not provide it to us so we can work on it as well.

**Mr KEVIN CONOLLY:** All smaller non-governmental organisations would presumably then have the same issue?

**Dr JACKSON:** I cannot speak for them but I am assuming that is the same for them.

**Mr KEVIN CONOLLY:** Their cost burden would be reduced to some extent if they did not have to provide those—

**Dr JACKSON:** Capacity of constraints, yes.

**Mrs BARBARA PERRY:** I have two areas to delve into. If there is to be an accreditation system or a star-rating system, whatever that would be, firstly, could there be a one size fits all for the varied services that you provide?

**Dr JACKSON:** I would be careful about a one size fits all. You could look at star ratings across a whole range of fields. There are some services we provide which are specific and need particular expertise and reflect experience going back generations. There are others that are new and quite innovative that the Government has put out to tender. Where a star rating would impact would be in the core competencies an organisation would bring to tender. In particular expertise around service provision models and the like, there may be need for a bit more time to develop that expertise and that reputation.

**Mrs BARBARA PERRY:** Secondly, can there be an equal playing field if there were to be a star-rating system between not-for-profits and for-profits?

**Dr JACKSON:** It depends on the specifications of the tender. I am assuming there is an even playing field in the tender process around the specifications of the tender and the outcomes needed. When you are

dealing with outcomes-based tendering, which is the majority of the tenders we apply for, I would have thought that for-profits and not-for-profits would be competing, if you like, on the same ground.

**Mrs BARBARA PERRY:** Is there an equal playing field in another sense? Given what you have talked about with respect to for-profits and what they come with as opposed to not-for-profits, is it fair?

**Dr JACKSON:** Could you explain what "fair" means?

**Mrs BARBARA PERRY:** Is there some advantage that for-profits would have in a star-rating system that you would not?

**Mr MILLARD:** I am not sure there would be an advantage. If the star rating is about quality of service provision, financial liability, integrity, corporate governance, et cetera, I would have thought it would be fairly common and comparable criteria.

**Dr JACKSON:** Again, the tenders we apply for are based on outcomes and deliverables. In that sense we come to the table with the same rules of engagement.

**Mrs BARBARA PERRY:** Fair enough. That is good.

**Dr JACKSON:** The wash is actually after you have done them for three years and then look at the outcomes and the quality of the outcomes. That is where the playing field becomes more even, because you are basically dealing with the same data and the same outcomes.

**Mrs BARBARA PERRY:** The other area I want to ask about is the contracts. I have two points with respect to the contracts. You talked about your concerns around contractual arrangements, but what improvements would you like to see in the contracts to ensure they are focused on service delivery issues and that service providers are not presented with a contract format on a take it or leave it basis?

**Dr JACKSON:** Personally, I think the process of the tendering has improved over the past three to five years. The departments we are dealing with have listened to some of our feedback, so the contracts have improved over time relating to process. That is the first given. Some frustration is around the short-term timelines involved in the contracts. It can be as little as two years, sometimes even 12 months—doing a lot of work for 12 months and having to do it again in 12 months time. Some of the contracts, I assume, have been provided through Treasury. It is difficult to analyse the impacts, particularly at the end of the contracts. Some of the contracts seem to be forward-loaded, particularly with CPI indexation.

We are nervous about signing on to some assumptions relating to sustainability and financial viability. It would be good if some of the contracts could have more monitoring perhaps halfway through to ascertain the impact of the service and the suitability of the resources being provided on both sides. It should not be forgotten that this is a contract and not a partnership and that we have compliance accountability.

We would also like contracts to have inbuilt evaluation mechanisms so that we as organisations can analyse and interrogate our own services outside the compliance contract requirements, which are often very strict and narrow. Our concern as an organisation is the impact of the services we provide not only on the individual but also on the family and the local community. Many of the contracts are very narrowly based and do not allow that to happen. If we want to do that evaluation, we have to do it at our expense. It would benefit the Government, local communities and our organisation if we could do a bit more in-depth interrogation of the long-term impact on communities.

**CHAIR:** I refer to providing services on the front-line. In some regional, rural and remote areas of New South Wales we see smaller centres with a large number of agencies. Often over the years those agencies are still there but problems are compounding. How would you clean that up? It is a hypothetical question, but what would you do? How do you fix that?

**Mr MILLARD:** I can give a simple answer and say that we are not presented with that problem as Anglicare Sydney. However, I know from my colleagues in other Anglicare agencies that that is an issue. It is a concern that multiple agencies are being over represented in a particular area. It is a terrible misapplication of resources. There really does need to be some level of rationalisation. That is hard because some of those organisations will be linked for faith-based reasons to churches or parishes in a particular area. It is not as

though removing their community service funding will mean they will not be there. They will still be there because they are connected with the community. However, there probably needs to be a different approach to dealing with organisations in partnership and to have them speaking together. We spoke earlier about consortia models. That needs to be enforced because there is clearly excess capacity and inefficiency.

**CHAIR:** In your view those entities should collaborate to ensure that services are not duplicated in the one location?

**Mr MILLARD:** That is absolutely right. There is so much need but finite resources. It is paramount that there be efficiency gains where there are multiple entities in the one location and they are not individually meeting the need in the community. It has to happen.

**CHAIR:** Would communication and collaboration between the agencies prevent that, or is there some sort of other gateway process which you would like to see or which would prevent that happening?

**Mr MILLARD:** In principle they should be strongly encouraged to collaborate. Government holds all the strings, so it is empowered to compel or to encourage that to happen. There are challenges for some organisations, but they are not large organisations. They are local, regional or community agencies, or they may be from a particular diocese or parish, and that may be all they have to do in a particular area. It is easy for a large organisation to say that this is what should happen, but I understand in a given community that that may be difficult and some tough decisions would have to be made. However, it does need to happen.

**Dr JACKSON:** It is probably a little easier for an organisation of our size to do the collaboration and consultation. I am not suggesting that the question was glib, but there is a certain glibness in the sector about doing more consultation and collaboration. That is very expensive, particularly for small organisations. It costs a great deal to take the time out to do that collaboration. They cannot afford to take a day, an hour or two hours off at regular intervals simply to strengthen those ties between agencies in the consortia. That is time that could be spent supporting the people who are the subject of the program. I think people in my sector are as guilty as anyone of saying we believe in collaboration, consultation and networking while forgetting that that comes at a cost in terms of time spent away from providing services.

I suggest that this Committee examine the costs involved in collaborating and consulting across the sector. It does come with costs. The for-profit sector costs that into the amount of time needed to network, to consult and to deliberate on issues. In the not-for-profit sector we have done it because it is good practice—and it is. However, everything comes at a unit cost—to use the Treasury terminology. I am sure they put a value on the hours or days spent talking together about issues. We are in a consortium at the moment that has six players across a very wide part of south western Sydney. Bringing everyone together is very costly in terms of time spent away from other things we need to be doing.

**Mrs BARBARA PERRY:** I draw your attention to incentives in contracts in out-of-home care. Do you believe that incentives should be included in contracts to get a certain outcome?

**Dr JACKSON:** Can you be more specific?

**Mrs BARBARA PERRY:** Could a contract include an incentive to restore children in out-of-home care to their family? Could there be a financial incentive? Does your organisation have a view about that?

**Dr JACKSON:** The tender should be explicit and restoration would be the ultimate good outcome for any out-of-home care—

**Mrs BARBARA PERRY:** I appreciate that.

**Dr JACKSON:** As an organisation we would see that as a given. We are always trying to achieve the best outcomes for all children and families, particularly with regard to restoration. We would rather see an increase in the unit costs around the day-to-day work rather than incentives. Establishing a better unit cost across the out-of-home care sector would be better than incentives.

**CHAIR:** Thank you. I note your comments, Mr Millard, about continuing to make submissions to various inquiries. Thank you for doing so. I know that it is time consuming, but it is very helpful to get that feedback. It allows us to do it better and makes it easier for government to do business with organisations such

as yours and ultimately to achieve the best outcomes for clients who need them so badly. Thank you very much for your time; it is greatly appreciated.

**(The witnesses withdrew)**

**ADAM FARRAR**, Executive Director, NSW Federation of Housing Associations, and

**MAJA FROLICH**, Policy Officer, NSW Federation of Housing Associations, affirmed and examined:

**CHAIR:** I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute contempt of the Parliament and is an offence under the Parliamentary Evidence Act 1901. As time is limited today the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Mr FARRAR:** We would be absolutely happy to do so.

**CHAIR:** Do you want to make a brief opening statement of not more than five minutes?

**Mr FARRAR:** I can keep it fairly brief because I think the main things we wanted to convey are already in the submission. Perhaps the very few main points are that community housing or the not-for-profit housing sector in New South Wales has, in effect, been undertaking contracting out of housing services now for about 30 years. The crucial point is that that has not been done, if you like, by accident; it has not been done in bits and pieces but over almost all that time there has been a deliberate process of building a not-for-profit sector that had the capability, in a really robust way, to take on those kinds of functions. Some of that is due to the visionary approach of bureaucrats 30 years ago. More recently it has been a deliberate attempt to look at what will deliver the best outcome for New South Wales, particularly as housing affordability became more and more of a crisis and as the whole public housing system became less and less viable. I think it is fair to say that that is despite the valiant efforts of the State Housing Authority and their colleagues across the country. I do not think I am being a bit New South Wales-centric when I say that it is probably the best job of any State housing authority in the country.

Despite that, the system ultimately has significant flaws. It is because that has been recognised that there has been a deliberate attempt to build a not-for-profit alternative that can overcome some of those challenges and be a viable alternative to deliver a better outcome for the citizens of New South Wales, particularly people who are disadvantaged in the housing market. Thirty years ago there was an attempt to build a network of housing providers that systematically covered the majority of the population centres in the State. Over time those have been consolidated into more robust and viable organisations but in the same deliberate and comprehensive sort of way. Recently we have seen attempts to strengthen the financial basis for those organisations—very successfully I should say—and we have seen the development of them as professional organisations with a substantial capability.

Maybe the last thing that I should say is that we also have established—again I am probably focusing a bit on this State—the model for the regulatory arrangements for all not-for-profit sectors across the country. It is one of the most robust but most proportionate and best balanced regulatory systems to provide the sort of accountability and assurance that government needs if it is to do business with the not-for-profit sector. Given all that, and given the immensity of the need for affordable housing, I think the sum total of our submission is that we should be looking at ways of enhancing the outsourcing of those services to the not-for-profit sector.

**CHAIR:** Your submission on behalf of the federation highlights the critical shortage of affordable rental housing and cites the shortfall of 73,700 homes in New South Wales, as documented on page 5 of the report of the National Housing Supply Council in 2011. Will you elaborate on the current state of affordable housing in New South Wales as outlined in your submission?

**Mr FARRAR:** I guess there are a number of different levels to the discussion about housing affordability. In the media what we see most of all is the cost of home purchase, and home purchase clearly is a significant issue. Clearly Australia, and Sydney in particular, has one of the most unaffordable housing markets as measured in the average mortgage cost for an average dwelling compared to the average household income. But that is only a headline kind of measure. It is fairly critical because if people cannot afford to buy their homes, or they have to delay the purchase of those homes, that then moves down and puts pressure on the rental market. As the rental market becomes occupied by people who possibly could afford to pay more than they necessarily are in rent but who cannot afford to enter the home purchase market—as it has done right across the country—people at the bottom end of that market are being squeezed further and further out.

In some cases they are squeezed into homelessness—that is the worst case—and in other cases into overcrowding, marginal housing but generally into the kinds of housing circumstances that do not create the opportunities everyone should have or what the State needs if it is to be a vibrant economy. Probably one of the most important aspects of that—let us take Sydney but it would be true if we were to look at regional areas as well—is the way in which the housing market then gets polarised. So you have the inner city areas where house prices are very high, rents are very high and also incomes are very high. Then you have other parts of the city where it is only just possible for people to afford to live, but that comes at an enormous cost to them. Mainly transport costs—I guess those are the most obvious ones. In fact, if we were to really look at pricing housing affordability we would price in the transport costs needed to go from where you can afford to live to where you have to work, where you have to drop off the kids, where you have to be trained and so on. That is all part, if you like, of the housing costs. We would then even factor in the time it takes.

If you are a low-income earner, particularly if you are on a pension or benefit, that may be a barrier or hurdle too high to leap. Our housing affordability story is not only the headline stories we see in the media, but it is the way in which people, particularly disadvantaged people, are being forced into parts of the city where they cannot access the sorts of opportunities that the rest of us take for granted. There is a flip side of that—which I think is almost as important—to the economy itself because it means that we cannot, if you like, mobilise some of the labour market that we need to grow a dynamic world city. That is often described as the "key worker" problem—a term we have imported from the United Kingdom.

In the United Kingdom they talk about firefighters, police and so on but I am not sure that that tells the story we want to tell. The real story is the kinds of workers who are not quite as glamorous as that but they are the care workers that we need. For example, if we are to have people aging in place in quite affluent suburbs then unless we have the care workers who are going to make that possible living within reach of them then we do not have the workforce to make that possible. There have been cases, for example, on the lower end of the North Shore where they have had to bus in workers from the Central Coast because the people that they needed to work in council jobs simply could not afford to live anywhere near where they needed to work. When you magnify that across the economy you start getting some real problems economically, quite apart from the social justice problems that we are facing. That is the sort of picture one wants to paint about housing affordability. The number that was quoted was drawn from the National Housing Supply Council's calculation of rental housing that is affordable and available to low-income households—it is a surprisingly large number that is mentioned.

**CHAIR:** Will you expand on the argument to increase the delivery of housing services from public housing to community housing and the advantages and disadvantages of both models?

**Mr FARRAR:** I think first of all we have to recognise that the public housing system has undergone a really profound change. When it was first set up after the war it was there to provide low-cost housing for low-income working families as a pathway into home ownership. It did a pretty good job. It was often designed to go where the industry was expected to be so it provided a workforce for those industries. Two things happened. We did not provide enough of it, so it became more tightly rationed, and very often those industries did not quite appear where they were planned to be. For example, particularly some of the housing estates that were created some decades later in the 1970s and 1980s were located in areas where the work was expected to be but was not, and increasingly the people who were getting access to that housing were lower and lower income households.

At the same time we went through a period—in fact since the 1990s—of deinstitutionalisation. We closed down—rightly—the institutions that had housed mentally ill people so that people could live in the community and a range of other institutional responses were ended. That was meant to happen with housing following them so that if they were not going to live in an institution then there would be an alternative accommodation model. It never happened. As a result, those people who had been doubly disadvantaged, if you like, by low incomes and by other kinds of complex needs, found themselves being housed in the public housing system, a more and more tightly rationed housing system, in what turned out to be concentrations of disadvantage. As a social model it did not provide the pathway for working families and it did not provide access to jobs. Increasingly it created its own problems because of concentrations of disadvantage.

At an economic level we had a particularly perverse outcome—it is a fairly simple one I think. Most social housing in Australia, unlike most other parts of the world, provides an internal subsidy. The subsidy which provides the housing at affordable cost to the tenant is borne in effect by the housing provider—by the State housing authority, in the case of public housing. In effect, what you are doing is getting net rents that are

dependent on the income of the household. As the system becomes rationed, because you do not have enough money to build new supply, then you are pushing down the people who have access to it. It is more tightly rationed and targeted to those on the lowest income with the highest needs, so the income stream falls and you end up in a vicious spiral. That is what has happened not only in New South Wales but in every State housing authority across Australia. The net result is basically that they are not financially viable.

The advantages that community housing can bring are fourfold, but I will stick with the dollars to start with. The first is that there is access to income streams. The Commonwealth provides subsidies for private renters—those who are not in public housing, and that includes community housing renters because they are not in government housing—and that is used to provide a subsidy stream, which means that those tenants can afford to pay something closer to—it is still lower than market rents in most cases—market rents but without it having an impact on them that is any greater in terms of their net income after housing costs than a public tenant. So there is a stronger income stream because of Commonwealth rent assistance availability.

I happen to have a post-it note calculation with me. It looks as though it is somewhere in the order of about \$25 million to \$30 million extra income that can come into the housing system for community housing providers at this stage. That funds things like maintenance. So there is a strong enough income stream to make sure that you can meet maintenance liabilities, which has been a rural challenge for public housing, and to provide further investment and better services. So a stronger income stream means that we will avoid some of the problems that have been faced by the State housing authority. We also have access to borrowing funds to increase the supply. Obviously government could borrow cheaper than any private sector organisation but equally the kind of fiscal restraints that government faces means that—as much as it would be a lovely thing—it is not really an option. The fact that the community housing organisations are able to prudently borrow to, if you like, spread the dollars further, means we are able to see an increase in supply in a system that has been shrinking steadily for about 20 years. That is another of the key advantages.

I think the third really crucial advantage is that community housing organisations have charitable tax status, which reduces their cost structure. Finally, because they come from communities and are linked into the kinds of needs of their local communities they form a wide range of partnerships with other service providers and, I should say, because they know the local business community they also work with local developers—we are talking about a partnership between the private sector and the not-for-profit sector. They work with a range of local suppliers, which has a double virtue; it builds the local economy but it also means they are, if you like, more nimble on their feet in terms of responding to community needs and, in particular, responding to the needs of their tenants.

**Mrs BARBARA PERRY:** To clarify it, the organisations or other housing providers that you represent as the peak body have had public housing transferred to them over a number of years to manage and there has been that transition. Is that correct?

**Mr FARRAR:** I want to clarify that to some extent. The short answer is yes in part. Community housing providers have three main sources of their business. One of them is head leasing supply from the private rental market. That provides a more flexible supply, because if there is a particular need you can go and look for something that fits that need. It also overcomes some of the entry barriers that otherwise low-income or disadvantaged households would have in the private rental market. So that has been a significant part of their business. That is subsidised by government but it is not a transfer. They have a supply of properties which are owned—they were investments from government, intended all along to be delivered by community housing but owned by the Land and Housing Corporation. So in effect they manage on behalf of government but they do not own that.

There has been a period of management transfers over the past five or 10 years where the management of public housing has gone across to community housing but not the assets. Very recently we have seen the beginning of a transfer of the assets. The Nation Building properties which came out of the economic stimulus package—around 6,000—which were paid for by the Commonwealth but owned by the New South Wales Government, were managed by community housing providers. The understanding has been that the ownership would be transferred and there was an extensive tender process to select who would do that management in order that they would then use that asset to leverage further supply. About 3,000 of those have come across, plus 500 of the properties which they have always been managing.

**Mrs BARBARA PERRY:** There are two things that emanate from that for me. One is that I take it from what you have said in both your submission and today that you still see a clear need for the public housing sector to exist.

**Mr FARRAR:** I think it has played an important safety net role. Initially it was set up not to provide a safety net but to provide just a stepping stone. It would be good if it was viable enough to be able to continue to do that but it is not. I guess one thing I would say is that while I believe that a safety net is necessary, we want to avoid the real risk to the public housing system and that is that we residualise it so much that in fact it has got, if you like, an impossible job to do and it is set up to fail.

**Mrs BARBARA PERRY:** By its very nature the tenants that you have pay a higher rent on average than public housing tenants. That is how I understand it.

**CHAIR:** With the Federal rebate.

**Mrs BARBARA PERRY:** With the Federal rebate.

**Mr FARRAR:** Only with the Federal rebate. They come with the same eligibility requirements except for a small number—and hopefully a growing proportion of quite separate supply, separately funded—of affordable housing of the kind I was talking about for low-income working households because they, too, have been missing out very badly in our housing system. But the other social housing tenants have exactly the same income eligibility as public.

**Mrs BARBARA PERRY:** So the argument then is that you can leverage that increased income stream to purchase new housing stock, et cetera.

**Mr FARRAR:** Yes.

**Mrs BARBARA PERRY:** Can you tell me, of all your member organisations—you have 37 full members—how much has been purchased over the period that we were talking about? That is why I started with the questions I started, bearing in mind that 3,000 have been transferred but there has been a history prior to that. You would not have made those statements about leveraging unless there has been some experience, proof and evidence of that so far.

**Mr FARRAR:** The only examples of leveraging in New South Wales, unlike Victoria, which went down this path a little earlier, there have been a couple of different programs. Some have been through leveraging from a program which provided capital through the Commonwealth under the National Affordable Housing Agreement, the social housing program, another has been using the National Rental Affordability Scheme [NRAS], which is a Commonwealth Government subsidy, and the last has been the leveraging from the Nation Building program. Because Nation Building stopped halfway through, we have only seen quite a small number of around—this is a guesstimate rather than an accurate number—a couple of hundred at this stage. All up using NRAS about 1,200 additional properties have been leveraged into the system by community housing providers.

**Mrs BARBARA PERRY:** So all needing the support effectively of the Government programs that are available.

**Mr FARRAR:** Absolutely. There is no magic pudding—

**Mrs BARBARA PERRY:** So not separately through their own income stream as such but using the income stream together with subsidies.

**Mr FARRAR:** That is right. There would be a handful that have come just through their own income streams but it would be a handful.

**Mrs BARBARA PERRY:** What about the situation in Victoria? You said that they had been down this track a bit earlier.

**Mr FARRAR:** What Victoria did about five or 10 years ahead of New South Wales was to provide government investment but with a requirement that the community housing providers leverage 25 per cent. So

they borrowed to increase the output of that public investment by 25 per cent. It is very similar to the kind of targets that we have with Nation Building, which is a 20 per cent leverage target all up. So it is stretching the government dollar or, in the case of Nation Building, the government asset further than it would have otherwise gone.

**Mr KEVIN CONOLLY:** If I take that a step further and look into the future—I note your submission encourages us to keep going in this direction—what sort of numbers of new dwellings can we expect to be leveraged by the community housing sector once the scheme reaches maturity?

**Mrs BARBARA PERRY:** What is maturity? Without government support?

**Mr KEVIN CONOLLY:** Leveraging it from its own generated funds, from its own community housing sector. What contribution will it make to housing in this State?

**Mr FARRAR:** As I was saying before, there is no magic pudding. If you are going to deliver low-cost housing that is affordable to very low-income households, it always comes at a subsidy. However, there are a number of instruments that are seeking to raise funds for investment. There is a discussion around a possible bond instrument which hopefully would provide some equity investment using NRAS to make that happen. It depends very much on the use of the asset that currently exists. The public housing asset of around 140,000 units can be made to work harder so that, rather than just having 140,000 units being run down over time, which has been the sad story, we could see the increase of something along that sort of 20 per cent increase were those in non-government hands. So no, there is no "we can deliver additional housing just because we have goodwill in our hearts". But using the government asset and using public subsidies we can generate a better return of around the 20 per cent, 25 per cent mark. That has been the sort of history in other jurisdictions and the targets in New South Wales.

**Mr KEVIN CONOLLY:** I would like to look at the nature of the housing demand and the supply that you have. Is the model of outsourcing to community housing allowing providers to tailor the housing stock to the demand or are we locking ourselves into whatever existed at a particular point in time without the capacity to respond to changing demands for particular style and location of housing?

**Mr FARRAR:** One of the things which I think we face is the fact that, particularly if you are looking at the existing public housing portfolio, a lot of those were originally built as greenfield sites on the fringes of the city. They were designed at reasonably low densities and increasingly they are ageing and in poor condition. Similarly, if you go to regional areas, there is a lot of public housing supply in regional areas which is in very poor condition but is sitting on a lot of land basically, to be fairly crude about it. The opportunity is to be able to take those assets, increase the density but also reconfigure them, so that you can turn them over. As demand changes, as the pattern of demand changes, you can reconfigure them in ways which ultimately meet that demand more effectively—newer houses but a different size. The demand is increasingly for single people or sole parents, so we are not looking at quite as much of the original low-income working families with three or four kids. Once again, you are looking at the ability to change the shape of the portfolio, but also increase the yield.

**Mr KEVIN CONOLLY:** And outsourcing to community housing providers allows that to happen; it is going to be possible for those providers to achieve that?

**Mr FARRAR:** It does allow it to happen. It allows it to happen within the constraints that we talked about. I am not promising the world, that is why I keep coming back to the ability to leverage the 20-25 per cent mark, not some magic response. Within that framework it means that if an asset is transferred the funds can be borrowed in order to reconfigure that, get a higher yield and better meet the needs of households. The other thing that can be done—and it has been done in other jurisdictions in Australia but particularly in the United Kingdom—is the kind of mixed tenure developments where, in effect, you are able to do a development which will allow an increased yield, some sales into the private market which provide an increased income return, but at the same time providing a far better social mix.

**Mr KEVIN CONOLLY:** One of the issues about public housing was the concentration of it in certain locations. Does this system give you the capacity to diversify in location to create better mixes in communities?

**Mr FARRAR:** It does.

**CHAIR:** Ms Frolich, what policy changes are on the horizon or are you encountering at the moment that you see as problematic?

**Ms FROLICH:** From what we have seen so far in the sector, the biggest problem is a policy uncertainty for our members—uncertainty surrounding vesting of properties and title, which creates uncertainty and problems before leveraging and commitments have been made to some private sector financiers in the sector to deliver the properties to improve supply of affordable housing.

**CHAIR:** Dealing with those organisations and institutions that would obviously look at the equity you would hold and leverage against that?

**Ms FROLICH:** That is correct.

**CHAIR:** How would you like to overcome that?

**Ms FROLICH:** What we have been advocating for in our submission here and in our dealings with negotiations of the national affordable housing agreement [NAHA] is a strong recommendation to have policy certainty and commitments of Government to allow vesting of title to community housing providers that have already been promised before, so that these commitments to private institutions can be followed up on.

**CHAIR:** How does that dovetail in with the national building economic stimulus package? Is that part of those programs that you are talking about?

**Ms FROLICH:** I would say yes, that is part of those programs.

**CHAIR:** We notice in your submission that a further six were awarded smaller numbers in the early stage of the program. How are they faring?

**Mr FARRAR:** These are in the first part of the program, which did not go to the main tender process. I guess it varies a bit. They are certainly beginning to deliver increased supply through leverage. Some of those, because they subsequently went on to become part of the larger tender process, have wrapped up the whole financing into one package, and one of the crucial things about the whole approach is that what we are trying to do and have I think just begun to do is to break through and win the acceptance of the lending institutions about what is really an entirely new asset class. That does mean providing reasonably robust kinds of financing opportunities to them rather than fragmented, very small-scale deals. They are looking for a reasonable scale of deal, a high degree of certainty, and we have seen some stopping and starting of policy decisions.

I would have to say that in some cases that is because, to be fair, an incoming Government needed to make some decisions about what had gone on before and whether they wanted to continue with that, but that has meant that there has been some uncertainty from the lenders' point of view at the very time that we are trying to build a strong recognition of a new asset class. The uncertainty that we are talking about actually exists at a State level. It exists at a Commonwealth level because we do not yet know about the next round of the National Rental Affordability Scheme, whether that is going to be delivered at the time that we are starting to cut through.

**CHAIR:** And that increases your risk substantially?

**Mr FARRAR:** It does increase the risk. At this stage I think it is fair to say the risk is not being borne by the providers; the real risk is simply that we would not get the kinds of outcomes off the ground that we really want to see.

**Mrs BARBARA PERRY:** Earlier you referred to the bigger vision of affordable housing, for example, care workers and the need for those care workers to be close in proximity to the people that they are caring for. They are a far different group of people to other marginalised and socially disadvantaged people, such as those that are currently in HASI, the housing and support initiative and its various iterations. I have not seen reference in your submission to where you see your affordable housing going with respect to those types of clients.

**Mr FARRAR:** I guess I need to clarify the language because the language here, right across the country, keeps on changing, partly because you have to dodge the stigmatisation that often goes with the terms "social housing" and "public housing", and so on. The terminology which is frequently used now distinguishes social housing from affordable housing that is targeted to households who are likely to be in employment and

usually financed differently. The Commonwealth's National Rental Affordability Scheme is targeted at that group of households whereas the core social housing delivery is targeted, as I said, before to exactly the same profile, and in fact through exactly the same system as very high needs households. Community housing was set up 30 years ago precisely to fill the gaps that were there in the public housing system which did not provide housing targeted to people with disabilities, did not provide housing for singles, did not provide housing for young people, so it was created really with a higher focus on those in greatest need. That mission has never changed. Increasing the supply of affordable housing is, if you like, expanding the range but never taking away from that core mission of responding to those in the greatest need, and HASI is a very, very good example of some of the most fantastic outcomes for people with mental illness.

**Mrs BARBARA PERRY:** I agree, and therefore there is the need, I would assume from your perspective based on that argument, to keep that core social type housing public housing because HASI is an initiative that is done as a wraparound service with the Department of Housing, so that is different from your—

**Mr FARRAR:** Absolutely not. Our members provide HASI housing.

**Mrs BARBARA PERRY:** That is right.

**Mr FARRAR:** So it is not just public housing that delivers that; it is the community housing sector.

**Mrs BARBARA PERRY:** That is right, and in the community housing sector what are your plans, or where do you see community housing going with respect to that, and in your 37 member organisations what percentage of the housing stock they have is for HASI clients?

**Mr FARRAR:** I cannot give you the number of our Housing and Accommodation Support Initiative [HASI] clients but I could certainly find that out for you. In terms of social housing versus affordable housing, while there is a really dramatic need in the State to increase affordable housing the need for social housing is even more overwhelming. Our members have always been social housing providers with a mission to deliver for those in the greatest need. Understandable concern has been expressed that if the public housing role is contracted out to the non-government sector either for financial reasons or because there are other opportunities, in effect you will get creaming. The sector will go for the easiest to house and those that provide the greatest return. The evidence is absolutely not there that that is happening. If you look at the profiles you will see they still continue to house more of those in greatest need than the public system and have always done so. The public housing system has absolutely been increasing its targeting in that direction but it is still not as high as community housing. We are certainly not in any shape or form moving away from the mission to respond to that need. That is where our expertise and reason for being lie.

**Mrs BARBARA PERRY:** Will you get those figures for me?

**Mr FARRAR:** Absolutely.

**Mr KEVIN CONOLLY:** Your submission makes the point that a final strength of community housing enterprises is their ability to establish effective partnerships with the private sector. Can you give any examples of where that has occurred?

**Mr FARRAR:** Probably one of the very best examples might be in the development of the common ground because it is a pretty exciting one. Common ground is a model of providing long-term housing for people who have been homeless and who have come straight from being rough sleepers to being provided with secure accommodation. It is a model which wraps services around them so that rather than saying, "Here is a place to live" and then all the life skill issues get in the way, the services are wrapped around them and delivered on site. It also mixes them with other affordable housing tenants, people who are low income but working, so that you get the modelling effect of these people living with people who are working. The Camperdown Common Ground Project is probably a really exciting example because there Grocon, the developer that undertook the construction, delivered it at no net profit because it saw the opportunity to partner, in this case, with MA Housing, which is one of our members. It is a wholly owned subsidiary of Mission Australia. We have seen a major developer delivering a landmark construction for a social purpose partnering with the community housing provider.

That is the sort of example that I would quote but there are plenty of other examples at a much more local level. Another of our members, Affordable Community Housing, operates in western Sydney and has

parcelled up opportunities that came out of the planning system. It has worked with smaller local developers to parcel up opportunities for them to manage housing that came out of planning bonuses and deliver it for low-income households. Again, that is a fine-grain rather than a flagship example. Most major developers have now expressed a very strong interest in partnering with the community housing sector.

**CHAIR:** That concludes our chat this afternoon. Thank you very much for your time. Your submission was greatly appreciated and your input into this process is invaluable.

**Mr FARRAR:** It is a pleasure. We will get the information about HASI and I think we should also be able to get the tenant profile information for you.

**Mrs BARBARA PERRY:** That would be great. Is that 29,000 dwellings you are looking at?

**Mr FARRAR:** It is 29,000 dwellings.

**Mrs BARBARA PERRY:** That is amazing. Thank you.

**(The witnesses withdrew)**

**(Short adjournment)**

**ELERI MORGAN-THOMAS**, Director of Service Impact, Mission Australia, and

**ANDREW McANULTY**, Chief Executive Officer, Mission Australia Housing, sworn and examined:

**CHAIR:** Good afternoon, Mr McNulty and Ms Morgan-Thomas. Thank you for attending the Committee today. I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today, the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Ms MORGAN-THOMAS:** Yes, we will.

**Mr McANULTY:** Yes.

**CHAIR:** Before we proceed with any questions, would you like to make a brief opening statement of not more than five minutes?

**Ms MORGAN-THOMAS:** Yes. We have given you our submission. I will speak on behalf of the Mission Australia group and hand over to Andrew to speak briefly about Mission Australia Housing. We have given you some statistics about Mission Australia's coverage nationwide so you are aware that over half our service delivery is in New South Wales across all our service lines, so we deliver 175 services in New South Wales supporting just over 37,000 individuals and over 1,000 families. We have nearly 2,000 employees in New South Wales, 4 per cent of whom are Aboriginal or Torres Strait Islanders. I want to make a brief point about the definition of "outsourcing", and I refer you to the quote that we have from the late Professor Mark Lyons.

A lot of the things that Mission Australia does in its service delivery are not strictly outsourced; they are things we have always done for which we receive some government contribution. One of the services we deliver includes a very large employment services contract which is legitimately outsourced and some services around housing. A lot of what we do is things we have always done. When we talk about regulating and contracting arrangements, we would hope that that has a broader remit than just the things that are outsourced because that impacts on everything we do. We also note there is a current Independent Commission Against Corruption consultation paper on funding delivery of human services in non-governmental organisations in New South Wales that touches on many of these issues. As yet, we are undecided whether we will be making a submission to that. I will hand over to Andrew to speak briefly about Mission Australia Housing, which is a relatively new entity within the Mission Australia group.

**Mr McANULTY:** Mission Australia itself is 153 years old as an organisation. Mission Australia Housing Limited has been operational for just over three years. During that time we have seen our role as being a conduit between government and the private sector and to work in partnership with both to deliver the best outcomes we can deliver for people most in need in New South Wales such as long-term homeless people, people who require social housing, and then blending those services to provide affordable housing for people and, in due course, some low costs for sale, so we can cross-subsidise. Our key focus is those most in need but also making sure we have a balanced outcome.

I have been delivering housing and other projects in the UK for social landlords for almost 20 years. I think there is a really good opportunity in New South Wales to capitalise on some of the energy that has been commenced by government and to build on the 25-year reputation of a lot of the housing organisations in New South Wales to deliver more outcomes with limited funds.

**CHAIR:** Given that umbrella approach, could you drill down briefly on exactly how Mission Australia operates?

**Ms MORGAN-THOMAS:** Mission Australia itself?

**CHAIR:** In the housing sector in particular given the Committee's terms of reference.

**Ms MORGAN-THOMAS:** There are two separate companies in the housing business, only one of which is concerned with New South Wales called Mission Australia Housing Limited. Andrew McNulty is the chief executive officer of one of those companies. That sits within the broader Mission Australia group. There are six or seven entities doing various things. This one is separately governed and was established specifically to manage a housing business that is different from the rest of our business, much of which is government funding in and expenditure out. It is an income-expenditure business. The housing group owns a lot of assets and has to be run differently with a different mindset. There are memoranda of understanding between the various groups with regard to the operation of the back office and so on. That would not be of much interest to the Committee except that we spend a lot of time sorting out how the group works as a whole and how the back office works. That is done within Mission Australia, which supports Mission Australia Housing Limited. We are very integrated but separate.

**Mr McANULTY:** The beauty of the approach is that Mission Australia Housing Limited, or MA Housing—that is the business name—relies on the support of the main charity. It can get inward investment from the main charity but it cannot have elements drawn out. It must be focused on delivering housing outcomes for people in the New South Wales context. It is an efficient model that allows us to utilise the fact that the main charity has 50 people in the finance team and about 25 people in the human resources team nationally. We can rely on those services rather than duplicate them within our housing entity. As a result, we can focus on providing homes for people who need them. We have someone joining the main group shortly from Deutsche Bank who will be taking a treasury role to look at the bond raising and finance raising to bring in finance, again in partnership with government and the private sector. It will layer land, private finance and any grants that are available to deliver more homes for less. It is a rolling theme to ensure that New South Wales grabs its fair share of Federal Government money and any debt finance or appropriate safe structured investment in housing.

**CHAIR:** What would be an example of delivering housing outcomes? That mission statement sounds great, but what does it mean?

**Mr McANULTY:** We are fortunate and the timing has been good. Ms Morgan-Thomas has encouraged me a number of times and my timing is pretty good. When I took on this role we had 17 homes in New South Wales and the timing was right because the Federal Government had put \$2 billion into the State to stimulate housing and jobs. That built some beautiful homes and we received a little more than 1,000 of them. We have also been involved in the Camperdown homeless project. It is a mixed homeless, social and affordable housing project. It is layering funding from the Social Housing Growth Fund, which had some Federal Government money, some State Government money and some debt finance from Westpac. We have bought or developed 107 homes through that project. It is a real mixed bag approach. Layering is a key thing when you talk to different people involved in housing. No-one will have the money to provide 100 per cent of the funding. However, if we look creatively at working with local government on planning opportunities, with State Government on land availability and the Federal Government on Commonwealth rental assistance or the National Rental Affordability Scheme, things can be made to work. We are very encouraged by the fact that the State Government is looking to work creatively to drag in money for housing.

**Mrs BARBARA PERRY:** Are you one of the 37 members of the New South Wales Federation of Housing Associations?

**Mr McANULTY:** We are.

**Mrs BARBARA PERRY:** Are you aware of any future plans on the part of the New South Wales Government to transfer assets such as public housing stock to the not-for-profit sector?

**Mr McANULTY:** They are two key questions. First, it is very important for us to be a member of the New South Wales Federation of Housing Associations because we are a collegiate bunch. We know that none of us individually can change the world or solve all the problems. We look to share ideas and approaches, and the federation is a good conduit for that. We are aware and hopeful that the current second stage of the asset vesting of the Nation Building Program is progressing and we are making submissions to the State Government on that issue. We are aware of a number of other opportunities for management transfers or urban renewal.

**Mrs BARBARA PERRY:** Is that management transfers as opposed to asset transfers?

**Mr McANULTY:** It is potentially both. There is an unsolicited proposal document within the Department of Finance that is welcoming proposals from the private, not-for-profit sector. We are interested in exploring new ideas that could attract investment in New South Wales.

**Mrs BARBARA PERRY:** Is that about asset transfer, social bonds or both?

**Mr McANULTY:** Potentially both. We are looking at attracting investment to create outcomes, whether that be through bonds, land transfers or planning gain. A range of things is being examined at the moment.

**Ms MORGAN-THOMAS:** Mission Australia is one of the organisations in negotiation with government about the delivery of the social impact bond trial through a different thing. It is not for housing, but there is the capacity to use that model.

**Mrs BARBARA PERRY:** In what area?

**Ms MORGAN-THOMAS:** In corrections.

**Mrs BARBARA PERRY:** You referred to a transfer of 1,000 houses. Does that involve management or the actual assets?

**Mr McANULTY:** The total—I remember numbers, unfortunately—we have got 1,017 transferred into management and we have got just two sites left to hand over, and of those just under a half have been transferred into ownership as well.

**Mrs BARBARA PERRY:** How many of the 1,017 that you have have clients who are part of the Housing and Accommodation Support Initiative program here in this State?

**Mr McANULTY:** One hundred per cent of those homes are being occupied by people from either the Housing NSW waiting list or have been referred by supported housing agencies. It is 100 per cent from the waiting list. Over 40 per cent are formerly homeless or at risk of homelessness and we have exceeded the minimum Aboriginal target, which was about 12 per cent on our portfolio.

**Mrs BARBARA PERRY:** The actual HASI program, do you have housing just for that?

**Mr McANULTY:** Not specifically for the HASI program. We have got programs for women escaping domestic violence. We had a number of specific programs or youth programs we had to allocate housing for as well.

**Ms MORGAN-THOMAS:** Mission Australia Housing came in a bit too late for HASI.

**Mrs BARBARA PERRY:** Would you be able to provide a profile for that housing and the type of people that you assist in that housing and also the rental charged in those different categories? A general profile of the people that you have would be great. The other thing I would like to raise in relation to that is with the management and with the asset transfers are you able to provide the wraparound services and how are you able to provide those for those clients that need it—people who have got mental health issues, disability issues? I know Mission Australia has a number of arms so you are in a very different position to perhaps other organisations that are part of the Federation.

**Ms MORGAN-THOMAS:** One of the things we have done very clearly when we set up Mission Australia Housing was we did it purposely as an arms-length organisation, because one of the things you do not want to do in the delivery of housing—it is best practice to separate the management of housing and tenancy from support services, because it is important that a tenant be able to stay in their house regardless of whether they take or accept support. What we have done very clearly is separate those two things, and Andrew can talk about where we have joined them up, but where we do join them up, when I was talking about all the memoranda of understanding, that is one of them. At service level we will make sure that our service provider, which may be from Mission Australia, supports those tenants in those properties and there is an agreement at that level.

**Mrs BARBARA PERRY:** That is the sort of stuff I would like included in the profile, how you would put those wraparound services in and what are the outcomes, if possible—that means people in training, reduction in people going to hospital—

**Ms MORGAN-THOMAS:** And some of those things we can measure. At the moment we cannot measure a lot of that because that is not data that we are actually collecting.

**Mrs BARBARA PERRY:** We can come back to that.

**Mr KEVIN CONOLLY:** I would like to take up the point that was raised earlier about the social impact bonds proposal, and I note that Mission Australia is involved in a trial part of that with Corrective Services as its focus. It has potential right across the spectrum of the community services field—and you are a big organisation with lots of dimensions there. Could you talk about how you see the vision if this trial is successful, how it might affect all your range of operations in this field?

**Ms MORGAN-THOMAS:** Social impact bonds as they are constructed at the moment are suitable for some sorts of funding and not others. One of the attractions of things like Corrections around the world where social impact bonds are being trialled is that you have a very clear indicator of whether somebody has offended again or recidivism—you are able to measure that. A lot of the things that we might do, say, in early childhood crime prevention or some of those long-term changes in communities, are very hard to construct in a way where you have measurable outcomes. It is still really important work to do but harder to measure. So social impact bonds I suspect in the future will be able to fund some really clearly defined outcome things and not a lot of other. We need to work out what are those things we can do, and when you look around the world the things that are coming out are things like Corrections.

One of the things that we could use—maybe not social impact bonds in the way they are framed at the moment, but other sorts of bonds, and there has been some work done by the Australian Housing and Urban Research Institute on investment bonds basically, or things where you can bring private sector funding in a structured way into funding affordable housing, and Andrew can talk more about that. But we are certainly interested in looking at that too.

**Mr McANULTY:** In the housing field, a great example is the 1988 Housing Act in the UK. That stimulated private finance coming into housing associations throughout the UK. It started off very slow but now there is about £40 billion of investment in not-for-profit housing organisations via debt finance through banks or bonds, and that has leveraged the assets quite safely, and in a fairly turbulent financial climate over the last five years there has been no default on any of that £40 billion, which is unique. So it is a safe way of raising long-term finance against housing.

**Mr KEVIN CONOLLY:** What would we have to do in this jurisdiction to achieve an outcome like that? What would be required?

**Mr McANULTY:** I think it is just proofing up the current lending process. The different housing associations represented under the federation are taking the fledging steps of borrowing money from banks. So we have got two loans currently, one with NAB and one with Westpac, for about \$22 million, \$23 million. Effectively, we will take those loans incrementally. The UK framework was when it got to a certain amount of money you brought those together in a single offering to the market and actually put them out on longer term finance at a cheaper rate. So really the housing associations in New South Wales are just proofing up the model that it is low-risk, that it is based on a very long line of people who are awaiting housing, so there is no demand issue and the rents are very stable because they are low rents. So it is a safe investment for a bank or a bond type structure.

**Ms MORGAN-THOMAS:** One of the things that I think would make a significant difference in Australia is if we were able to make them tax-effective bonds, and that probably points more to the Commonwealth issuing some sort of tax-effective bond like we have had with infrastructure bonds in the past that could eventually replace something like negative gearing—it might be a different way to invest in the provision of rental housing in a way where we could do something more targeted. So certainly if the New South Wales Government wanted to do something about that I think the best way to do it would be to work in partnership with the Federal Government so that we got something that was big enough to deal with Australia and you could have a decent market in that but also that was tax effective, which is the bit that I think really makes a difference.

**CHAIR:** Could you explain, Mr McAnulty or Ms Morgan-Thomas, your experiences so far in doing business with the State Government in relation to providing the service you do?

**Mr McANULTY:** Shall I start from a housing perspective? I think the Government might be quite surprised. I have only had the pleasure of being in New South Wales for five years in November and when I arrived five years ago I think most of the policy ideas in housing were coming out of Victoria, and then about three years ago a lot of the policy ideas were coming out of New South Wales. So there was a lot of momentum built in New South Wales and now I think there is a lot of potential in New South Wales because the various housing associations are ready, they have got leverage capacity to build new homes. There is a lot of debate in New South Wales around different types of models to unlock partnerships between government and collective approaches and leadership from government.

So I think it is a very exciting time in New South Wales in terms of planning, housing and finance and now is definitely the time to look at these things and see if they can deliver over the next 20 or 30 years in terms of housing. I think it is particularly exciting. Plus I think people realise in government that there is 20 or 30 years worth of redevelopment of public housing required. There is a lot of investment required in the existing stock. It needs to be looked at now.

**CHAIR:** Are there any roadblocks, any challenges, and you think we could do this a bit better?

**Mr McANULTY:** I think the real challenge is joining up the government, the different parts of government looking at the big picture. But certainly the conversations I have had with Planning and Housing is collectively looking at increasing supply overall within New South Wales, which is critical to the economy, and then a proportion of that supply being new social and affordable housing. That is the big picture push that I think government has got their head around. So I am supportive of that and pushing for it to continue.

**CHAIR:** You are talking about the collaboration between Housing and Planning?

**Mr McANULTY:** Housing, Planning and Finance—the three bits of government linking together so it is a collective push, because if it is just a push via Planning or just a push via Housing the Finance is not necessarily there. So it is looking at it in a holistic approach.

**Mr McANULTY:** I have had a number of discussions with the different Ministers so I believe that people are looking along those lines and various task forces and panels are being looked at to drive or push change.

**CHAIR:** Can you share anything with the Committee that you think you might have shared with them?

**Mr McANULTY:** I think stuff around the new planning policies. There is the 30-year planning review, links with the asset strategy for Housing NSW, current assets and future assets. Again, something that Ms Morgan-Thomas and I have shared a number of times and in which I am a firm believer, I do not believe that it is about moving the deck chairs and just transferring management of housing as that does not create any change. It is about how you do things which bring in new investment for people who are vulnerable and people who need a good quality home. I think the stuff that has been done in planning is quite critical with Urban Growth NSW, the new Landcom. I think it is critically important that that gets a mandate for affordable housing and social housing on its mantra, on its deliverables. I think that would be very important. Yes, the three bits of government linking together which is easier said than done, of course.

**CHAIR:** That is why I was keen to get a view from you as to how you thought it might have been able to be achieved.

**Mr McANULTY:** In relation to the on-site stuff, one of the things I was sharing with Minister Goward last week was that I do not think we need to get perfection; we do not need to try to work out a perfect model. We need to think about how we bring in \$100 million worth of finance or \$200 million worth of finance, test it, get the homes built and occupied, partnered with the private sector, and then analyse how it can be done better the next time rather than trying to work it out perfectly. It just stalls things happening sometimes when you are looking for perfection. Let us just keep the momentum going that was generated through the asset vesting of Nation Building properties that has generated a lot of activity.

**Mrs BARBARA PERRY:** How much of the stock is social housing and how much is affordable housing?

**Mr McANULTY:** Currently it is skewed very much for social housing; 90 per cent would be social housing and about 10 per cent would be affordable housing.

**Mrs BARBARA PERRY:** In relation to data collection issues as a result of that, given the high percentage of social housing, the types of tenants that are in social housing and the service you would be trying to wrap around, obviously it is important to measure outcomes and the quality of service you are providing. What are you doing in that respect at present? How do you measure outcomes?

**Mr McANULTY:** We have a whole series of key performance indicators that we report to the board in our annual customer satisfaction surveys, which is pretty important. We are a small landlord at the end of the financial year. Even though we have grown quite rapidly over three years we have over 1,400 homes. So our individual blocks and homes are pretty important to us. We have held about 15 or 20 welcome events on the site that I have attended, all bar one, when we just talk and listen to people. We do newsletters. We have a number of consultation forums. We have a community development worker engaged to stimulate meetings and community engagement sort of profiling—a range of things.

**Mrs BARBARA PERRY:** What about government setting measurable outcomes to achieve?

**Mr McANULTY:** Reporting back to government?

**Mrs BARBARA PERRY:** What are the measurable outcomes that government has set?

**Mr McANULTY:** We are not short of reporting.

**Mrs BARBARA PERRY:** Not reporting; what are the outcomes being sought by government?

**Ms MORGAN-THOMAS:** The outcomes are generally that people are housed. In fact, most government departments say they want us to report on outcomes and ask us only for outputs. We are not actually required to report—the only one we report on is customer satisfaction. People being housed is an outcome so of course we report on that. What we are doing more broadly within Mission Australia is looking at an outcomes reporting framework. We know we will not get there very quickly and it is pretty massive to look at outcomes across our entire organisation, so we are looking at better ways of measuring our impact, partly because we want to know ourselves whether we are doing a good job—not necessarily to be able to report because somebody is asking us to but to use that for internal purposes. Are we investing our discretionary income in the right place? Are we really doing as much as we can? That will cover our housing business and also employment, all our homeless children and family and youth services. But we are not there yet.

If I go back to your previous question, very few of our funding bodies are very clear on what outcomes they want us to achieve or have any real idea of how they want us to do that. A lot of our funding is so fragmented and so small that you cannot afford to do that. Very few governments in Australia are prepared to fund the sort of evaluation that will tell you outcome measurement. It is a big impost on our clients and our staff to say, "We are not doing service delivery now; we are talking about outcomes." You have to do some really decent data collection to do that. That is a big investment and nobody wants to fund that.

**Mrs BARBARA PERRY:** Do you agree that that is important?

**Ms MORGAN-THOMAS:** Absolutely.

**Mrs BARBARA PERRY:** Not only for your organisation but also for government. I think it is something that should be looked at. Do you agree with that?

**Ms MORGAN-THOMAS:** I think so because we do not make wise decisions at the moment. A lot of the decisions that are made about where things are going to be funded, and what is going to be funded, are often made by government and presented to us as, "Do you want to tender for this service delivery in this location for this amount of money and doing these things?"

**Mrs BARBARA PERRY:** I assume most of the 37 organisations in the federation—I should have asked this earlier—are not-for-profit?

**Ms MORGAN-THOMAS:** One hundred per cent.

**Mrs BARBARA PERRY:** They are 100 per cent not-for-profit. What is your view on for-profits in this area?

**Ms MORGAN-THOMAS:** If we look not necessarily in housing, Mission Australia is one of the larger providers of the Job Services Australia contract federally. But there are for-profits in that and not-for-profits. If we look at some of the performance, some of the for-profits perform very well but others are clearly in it for the profit and nothing else. There is a big difference between performances there. I would say overall the not-for-profits tend to deliver and invest more in the clients because they are not seeking a profit outcome.

**Mrs BARBARA PERRY:** Do you have a view on for-profit in housing?

**Mr McANULTY:** I will focus on the outcomes. Three or four key measures came out of Nation Building. They were major measurements which were how many formerly homeless people you housed—we had the minimum requirement of 40 per cent which we exceeded—then the minimum Aboriginal clients and maximum in existing public housing. In the United Kingdom and here it has been pretty much all not-for-profit businesses. There is a distinct advantage when you are recycling your profits back into more housing outcomes. We have a hierarchy of housing sort of matrix which shows that we want to do different types of housing but the purpose is to make sure we invest money for those most in need of housing. But I am not opposed to other organisations with a for-profit motive to be in the same space at all. I think not-for-profit does have a distinct advantage because it is not really a not-for-profit; it is a not-for-dividend. We have to act commercially but then we reinvest the surpluses back into the business.

**Mrs BARBARA PERRY:** How does that sit with your view on social bonds and encouragement of social bonds when you are looking at commercially viable organisations that might want a return on their investments?

**Ms MORGAN-THOMAS:** If you are going to borrow money you have to borrow money from somebody and you are going to borrow it from a bank. A social bond is another way to achieve that.

**Mr McANULTY:** The key thing really is to show the de-risking of the borrowing. The social impact or the lender being or not-for-profit agency is a lower risk than lending it to a commercial lend because the money is not being extracted out. It is a positive thing. The layering of investment is the key attribute there.

**Mrs BARBARA PERRY:** When I refer to indicators and outcomes, just so that you are clear about my perspective, are you able to get people back into training, back into jobs and those sorts of things? How do you work with other agencies such as mental health teams to keep people out of hospitals? I am looking at those bigger, broader issues as we move down this space.

**Mr McANULTY:** As Ms Morgan-Thomas was touching on earlier, with the separation of, say, Mission Australia Housing from Mission Australia, I agree with that fundamental shift and change. But that emphasis has meant that Mission Australia Housing has about 45 different partnerships with different specialist organisations that provide support to our tenants. I do not really mind what agencies they are as long as they are capable and they deliver services for the people who live in our homes. We are people-focused rather than outcome-focused.

**Mr KEVIN CONOLLY:** I note that in the submission you put together in relation to contracts you ask for a minimum nine-year term for contracts to enable effective investment in remote communities. Could you comment on the length and nature of the contract you have got at the moment, and why you have chosen to recommend what you did?

**Ms MORGAN-THOMAS:** I think that was one was less about housing because the nature of contracting is different in housing. Just one of our observations from having worked in a number of remote communities around Australia for a long period of time, it is very hard to go in and just deliver a service. We found this with employment services in the Northern Territory. If you are just there to contract and deliver an employment service and nothing else you actually cannot impact on a whole lot of things. You may not be able

to get somebody a job because of something else that is happening in their life or in the community over which you have no capacity to have an impact. One of the things that we decided to do was actually pull out of just delivering one single service in each community because it was basically impossible to deliver something that was having a good community outcome.

We are currently in negotiations with the Queensland and Federal Government around delivery of services on Mornington Island, which is in the Gulf of Carpentaria, where we are delivering a number of services. We know if you want to have an impact you actually have to be there for a longer period of time. You cannot just come in and go out again when your contract is up in two years. You cannot build the community relations or engage the community in developing their own future and eventually becoming more self-sufficient than they are at the moment. That is why we say at least nine years, because that is three times what a lot of contracts are.

**Mr KEVIN CONOLLY:** Is it typically your job network experience that you are drawing on for that?

**Ms MORGAN-THOMAS:** It is also some of our community development experience and the delivery of some youth services. We have looked across a range of them but we have specifically pulled out of the job network ones at the time that the contract changed. It is also from some broader work we have been doing on community development.

We know from our own experience that the communities that we are most active in and are most engaged with are ones where by some accident of history we have owned some property. We have owned an office building or something like that. Because you are there and you own assets in that community you have got roots in it and you have got a foundation to actually go and bring in other services pretty easily. You are thinking about the community. You know you are there for the long haul. Knowing you are there for the long haul and having that sort of infrastructure is a really important thing. That is why we say if we are going to make an impact, particularly in more remote communities or really disadvantaged communities, you cannot just deliver one single service where somebody else is coordinating it from Sydney or somewhere. You have actually got to be in there and be able to join up and broker solutions and things like that because you are on the ground.

**Mr KEVIN CONOLLY:** So your general rule of thumb for a way of approaching really remote communities is that you might have to have somebody with longer tenure and a broader range of responsibilities?

**Ms MORGAN-THOMAS:** And even a lot of disadvantaged communities. When we were first thinking of setting up Mission Australia Housing we could see the value proposition of having a housing solution, of being able to have some social enterprises and some community services and be able to join them all up in the same community. That is a big dream and in reality it is a lot harder to do than you might think because government funding comes in all these little bits and you have got to find a way to stitch it all together, which takes a lot more energy than it might doing it some other way. But that would be the way to do it.

We do not have to be a one-stop shop for everybody but what we do need is a way to really do community development so that we have got a critical mass of things in there so that you can actually bring in another person to do something specific. Or you can start looking at the needs of your tenants and say really if we had a job creation scheme through a social enterprise or something like that we could really make a difference to the people on the ground here. You cannot do that if you are waiting for government or somebody else to make a decision to do it. That would be our idea of how you do community development. It is not something we made up. If you look at a lot of the stuff from the United Kingdom or any of the things that happen in developing communities, urban regeneration or urban renewal or regional regeneration projects are what you would say were the gold standard, if you like, if you really want to make a difference

**CHAIR:** You do a fair bit of work obviously with Victoria and Tasmania. How does that compare with doing business in New South Wales?

**Mr McANULTY:** In my opinion it is a lot easier to work here than in Victoria. Victoria is a bit more unsure of where it is going than New South Wales. New South Wales is more outward looking now in looking for solutions and investment answers. I think now is a good time in New South Wales. I think some of the smaller States around the country, the Tasmania and South Australia type of examples, are more acutely aware

of the opportunity being now so they are more aggressively looking at seizing the opportunity and bringing investment into their States. That may be partly more out of necessity.

My overview would be that the smaller States or the more nimble States are more progressive. But of the big States New South Wales has got the biggest housing portfolio in the southern hemisphere so a do nothing option is not really an option. It has also got the most housing need and the most expensive housing in the country. There are a lot of things here that are pretty high up the importance curve or agenda. Middling, I think: Lots of good things here and lots of things maybe to look at some of the smaller States and how they have been more aggressive in terms of looking at solutions.

**CHAIR:** Are you familiar with the WA Partnership Forum?

**Mr McANULTY:** I know there are a number of things, not that specific forum, but a number of Western Australia initiatives.

**CHAIR:** Are there any initiatives there that you think could dovetail into what you are trying to do in New South Wales?

**Mr McANULTY:** Western Australia is more creative about home ownership options. They are quite creatively engaged in subsidised home ownership or shared ownership models. I only heard on Friday that the new Landcom is taking examples from both Victoria in terms of how they have set up the new VicUrban and LandCorp over in Western Australia. So they are certainly sharing and New South Wales has been bold enough to look at other jurisdictions and pick out good bits that it likes, which I think is a very positive thing.

**CHAIR:** Apart from Treasury and the other two departments doing business in that regard, the collaboration between those three departments would obviously make it easier for you in terms of doing business across this State?

**Mr McANULTY:** Definitely, and setting a clear framework with the private sector. That all citizens in New South Wales are being looked at in terms of the growth of housing, that a small percentage is earmarked for developments on government-owned land for social and affordable housing. That would be very complementary with the different fundraising and bond type discussions so there is not just money being raised and looked at but also opportunities in well-located areas. So it is a complementary sort of activity.

**Mrs BARBARA PERRY:** We heard some evidence from Anglicare Sydney that the current competitive tendering process is possibly not as transparent as it could be and it does not foster a collegiate or collaborative approach among service providers. They recommended a new funding model. Do you have a view on the competitive tendering issues in this State?

**Ms MORGAN-THOMAS:** I think competitive tendering is the way that government prefers to do things now and I kind of understand why. But Anglicare is right. It does prevent collaboration and sharing or benchmarking or some of those things that might otherwise happen.

**Mr McANULTY:** I would add to that in terms of a housing proposition that because housing has so much capital involved I share quite a lot with our different housing association partners because it is important that we all start to move and address some of the housing need in the State. Mission Australia Housing had about \$50,000 worth of pro bono advice from KPMG on our accounting treatment for our assets. When that was completed we shared that with all sorts of competitors. I offered it to anyone who wanted it basically because it was important that how the different organisations record their assets is transparent to the banks and the institutions that are looking to lend money to different housing providers. There should be some similarity in the accounts. We will share because I think if every one of the providers in the New South Wales Federation of Housing Associations can raise funds they will all get projects. There will be projects for all of them because there is so much required in New South Wales.

**Mrs BARBARA PERRY:** I note your optimism concerning the movement of housing and the potential for the future but it is very early stages really. The risk would have to be borne by the non-government sector. How can you say that the ongoing future of this is going to work?

**Mr McANULTY:** The evidence from the United Kingdom and different types of structures in America and bits of Europe have heavily invested in Europe in not-for-profits and raising debt and layering of funding. It

is not a risky debt proposition. It is borrowing modest amounts of money but over a larger and larger stock it becomes quite significant amounts of money. It is based on borrowing money on the income stream rather than the asset value—so the surplus income stream from the rents. So it is quite a modest lend but it gets up into billions of dollars over a period of time.

**Mrs BARBARA PERRY:** Does it necessarily require more transfer of housing assets to you?

**Mr McANULTY:** That tends to be the most economic way of borrowing money. Rather than it being a cashflow lend, it is lend on the basis of asset security. It dovetails with Ms Morgan-Thomas's point as well. Once you start to invest in an area the mindset of the organisations involved becomes different, as well as the handing over from government—you are passing the baton over to a different organisation to look at investing in an area for 20 or 30 years. There are some pretty big projects requiring long-term investment.

**Mrs BARBARA PERRY:** I am not au fait with the history of the United Kingdom housing structure but did that require the transfer of housing?

**Mr McANULTY:** Yes, it did. Interestingly, many of the estates that were transferred started on management transfers and then tenants voted in favour of the new landlord. It is typically how they did some of the big estates. The housing association would manage a suburb of public housing and after two or three years of proving itself to the residents, then tenants would vote if they wanted to transfer their homes to the new landlord and there would be a prospectus of what the asset transfer would mean. The asset transfer would mean that there would be more money borrowed to invest in either renewal of the stock and new homes being built or investment in backdated repairs.

**Mrs BARBARA PERRY:** Were the assets owned by council or government?

**Mr McANULTY:** Interestingly, the equivalent of the State Government in the United Kingdom is the local government. The local government had statutory responsibility for re-housing and owned the housing assets.

**Mrs BARBARA PERRY:** Are there any problems 25 years down the track?

**Mr McANULTY:** Some 25 years on there are about two million homes owned and managed by not-for-profits and they have tended to consolidate over a period of time. So there are only about 100 developing housing associations but then smaller associations form part of those consortia effectively.

**Mrs BARBARA PERRY:** Are there any problems?

**Mr McANULTY:** There has been one housing association that went into significant housing default because it over committed. Effectively they had about £1 billion worth of assets and around £300 million or so worth of debt and they were swallowed up by another organisation that maintained the tenants. Some consolidation happened but no tenants lost their homes.

**CHAIR:** Finally, the regulatory reform to prevent that from occurring in New South Wales. Given that you are looking at expansion on the horizon and that your equity allows you to increase your debt levels, what regulatory regime do you have to prevent that?

**Mr McANULTY:** A couple of key things have happened in the past three years throughout the country: boards within housing associations have got stronger. Our board has got six really strong professionals—three externals and three internals. We have a very strong board. Other boards within New South Wales have stepped up to take into account the development risk and financial risk. Management teams as well have stepped up, in terms of being smaller management agencies previously and now resources have gone into those organisations to build their capacity. In line with that the regulators—another very positive thing I should have said about New South Wales is that, in my opinion, the New South Wales Registrar is probably the strongest registry system in the country.

**CHAIR:** Do they manage your debt to equity ratio?

**Mr McANULTY:** We report to the Registrar, so there is certainly accountability to the Registrar in New South Wales. It is a very strong registry system in New South Wales. We support the national registration

system, we support the sort of national accreditation model for the reasons you have outlined: we want transparency and we want to be benchmarked against our peers. We would like to be benchmarked against government. In due course we would like State Government agencies to benchmark their stock and their tenant satisfaction in the same way that we benchmark ours. So one could see in different bits of the State or different bits of the country where departments might not be performing so well or where customer satisfaction was lower than people would like. So you could justify reasons for outsourcing. Those accreditation and registration sorts of processes are really important. We support the national one because there should be an overall view of how organisations are performing and keeping it simple.

**Mrs BARBARA PERRY:** Perhaps you could take this question on notice. What are the maintenance issues like in housing from your experience in the United Kingdom?

**Mr McANULTY:** I think one of the key things around maintenance is that we are willing to put aside sinking funds and are able to set aside side sinking funds—that is almost one of the biggest advantages of a not-for-profit. Mission Australia Housing is interested in housing. We do a 40-year asset management plan and set aside sinking funds.

**Mrs BARBARA PERRY:** I appreciate that but nevertheless in the United Kingdom there are maintenance issues, are there not?

**Mr McANULTY:** One of the critical reasons that there are transfers is because sinking funds have not been set aside by local government, so that big investment is required.

**Mrs BARBARA PERRY:** That is correct but down the track, even though there have been transfers, there have been maintenance issues in the United Kingdom and keeping up with those maintenance issues.

**Mr McANULTY:** The primary reason for stock transfers has been the investment in the repairs and ongoing setting aside sinking funds and setting aside asset management plans that work for 40 years or redeveloping estates. I have been involved in three major urban renewals, which their primary purpose is bringing in hundreds of millions of dollars worth of investment to renew estates over a period of time.

**CHAIR:** The Committee greatly appreciates the contribution you have both made today. Thank you also for your submission.

**(The witnesses withdrew)**

**ELIZABETH KATHLEEN SAUNDERS**, Chief Executive Officer, Calvary Silver Circle and National Director of Community Care for the Little Company of Mary Health Care, and

**HELEN ELIZABETH DOUGLAS**, Director of Operations, Calvary Silver Circle, sworn and examined:

**CHAIR:** Thank you both for appearing before this Inquiry into outsourcing community service delivery. I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. As time is limited today, the Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and may be made public. Would you be happy to provide a written reply to any further questions?

**Ms SAUNDERS:** Yes.

**Ms DOUGLAS:** Yes.

**CHAIR:** Before proceeding with questions, would you like to make a brief opening statement of not more than five minutes duration?

**Ms SAUNDERS:** Really, we put in our submission because the Calvary Silver Circle has been going for 20 years and has experienced a number of different outsourcing models, and we just thought that might be of interest to this Committee as it is deliberating what sort of model and how. We do not do a huge amount of work in New South Wales with the State Government. At this point, we are very small provider of Ageing, Disability and Home Care [ADHC] with a few clients in a few areas. Mostly the work in New South Wales is with the Department of Health and Ageing and the Department of Veterans' Affairs, but we do a significant amount of work with the Victorian and the South Australian State governments in terms of work with their clients with disabilities and now the home and community care [HACC] component, which is now for younger people. Until July it was for older and younger people. In the Northern Territory we also have arrangements with the Northern Territory Government for home and community care [HACC]. I guess we have had a range of experiences, and if we can offer anything to this Committee, we are happy to do so.

**CHAIR:** I am sure you can. Thank for your submission. Given your limited exposure in New South Wales at this time, how are you finding that? How are you finding doing business with the New South Wales Government, given your experiences across Australia, so to speak?

**Ms DOUGLAS:** It was interesting listening to the last speaker because, in relation certainly to disability services, we would say that our experience is that New South Wales is actually behind Victoria in relation to the modelling for New South Wales clients. We have been delivering individual packages of care in Victoria for quite some time. That is direct funding of money and sitting with a client, making decisions about how that money is spent. It is fairly well embedded into the Victorian system. Just recently we have taken on some new clients in the Riverina area, and certainly just the difference in working with the agency compared to Victoria, there is certainly a difference. Our staff are very used to being person-centred and directed in task and processes, and it is still fairly prescriptive around the type of service that is to be delivered and limiting in what can be done.

**CHAIR:** Given that we are not there yet, that is the direction. How are you finding the current way the system operates?

**Ms DOUGLAS:** The people are great. There is commonality. In South Australia, we do a lot of disability—in South Australia about \$6 million—and again they too are behind in systems and processes. So I think the willingness is there. I think that, similar to how Victoria was, you have to get the internal part of the organisation to understand this mindset change because it is dramatically different. It is going to be more challenging. There is going to be more strong advocacy from clients. I think there will have to be more partnerships with the clients and the service provider in service delivery. And make it expedient, so that the bureaucracy does not slow down service delivery.

**Mr KEVIN CONOLLY:** I am interested in your experience interstate where government has moved to outsource disability support services or home care. How has that been received by clients, and clients' families in particular?

**Ms SAUNDERS:** If we look at home and community care [HACC] in Victoria, they did the compulsory competitive tendering a long time ago. We have been involved in that and still provide the services through local government to one whole local government. We do 91,000 hours p.a. for them. Initially I think it was a shock for council staff. It had always been a council role and so it was, you know, a great loss that these dreadful people were coming in from outside and how could this happen. But I think we have had a number of these contracts, and this one is a three by three by three. We have been with this particular council already for about 15 years.

I think that has been an interesting model because the council retains the assessment role and we provide the service delivery. The clients and their families still felt comfortable that the council still had a role to play and that they were checking on what we did. We need to do really good service delivery because that will be one of the key things when the next contract comes up—we might not get it again—but it is not the only thing. I think that has been good. This model does not give the client much choice. I think the negative to it—I think we can do a good job—is that it does not give the client choice and it can be pretty distressing for the staff if you lose the contract. From the next day, their work may dry up. Usually the new contractor will take on those staff, or the existing organisation will keep them on to do other work. But that can be a quite traumatic thing to do, so I am not sure I would see that as the ideal.

I suppose with disability, there are a number of providers who are acceptable to the department to provide those services. You need to go through some hoops to do that. And then people choose to come to us, or are referred to come to us, depending on who their facilitation person is, and they come to us. They can choose to leave if we do not meet their requirements.

**Mr KEVIN CONOLLY:** That is right. That is because Victoria has a more client-centred approach already. Control is in the hands of the clients.

**Ms SAUNDERS:** Yes, increasingly; not across the whole board yet, but that is the move they are working towards,

**Mr KEVIN CONOLLY:** Is there much movement? Do people shop around, or are they largely sticking with somebody they know?

**Ms DOUGLAS:** I think we heard from one of our other directors who went to something last week or the week before that the movement of two clients meant that half a million dollars moved from one company. Certainly some of the packages are extremely large and so is the acquittal of those packages. Working out your staffing and your business around moving is like literally taking your suitcase and move to another organisation where you believe the rates are better and the service delivery is better than what you are receiving.

**Ms SAUNDERS:** Yes. We certainly had someone in New South Wales who chose to go somewhere else—which was a great relief to all concerned, really. There are some people who are very unhappy with life, and often the person they take it out on is the direct care worker who comes into their home because that is the person they can take it out on. Some will just not be satisfied with anybody who comes in. We got to that point with this particular person. Hopefully, that is a rare occasion. From our experience, it has been. We tried to work with the individual to say, "Well, there are realities about accepting care."

**Mr KEVIN CONOLLY:** Are there any tips for New South Wales out of that experience you have had?

**Ms DOUGLAS:** I think it is setting it up, setting the expectations up-front. We had a recent informal visit from the Disability Service Commission of Victoria because we are delivering disability services. What he is finding in the analysis is that unless it is very clear from the beginning of how it is set up and the way the package is and the expectations are clear, then you will run into trouble. Like any other service, if you are not clear about the television you are buying and the functionality of it, you will become unhappy about it at some time in the future when you want an element that it cannot provide you; so being clear up-front, having clear rights and responsibilities on both sides and working to resolve issues—a little bit like the complaints

schemes—working with each other to find a solution rather than everybody throwing their hands up and saying, "That's not good enough."

**Ms SAUNDERS:** And I think probably in that we did need some government mediation, not necessarily for us—probably a lot earlier. This client had been to a number of different providers prior to getting to us. We lasted longer than most, but it is not helpful for the client just to go from provider to provider. So really I think it would have been terrific to have had some level of intervention at the funding level to say, "Hang on, we keep funding different providers for this person. What's going on? How do we sit down and work this out?" For the individual's sake as well as for the provider's and the staff going in there, it would have solved a lot of grief.

**Mrs BARBARA PERRY:** What is your internal complaints mechanism and how does it operate?

**Ms DOUGLAS:** We are ISO certified.

**Mrs BARBARA PERRY:** You are what certified?

**Ms DOUGLAS:** ISO 9001-2008 and we have got a quality system which records all complaints. We have a data system called GoldCare. With that, any time anyone entering a note about a client, it is coded in a certain way against complaint categories. Those complaint categories pick up on KPIs within contracts, and we have about 300 different contracts. So we look for groupings in the complaints so you can analyse them. Everyone gets to see them. For instance, a complaint which is a written letter, the CEO would get to see that that note had been made that we had received a complaint and we would support the staff in the management of that complaint. Then I provide analysis to the executive group on a quarterly basis around themes in the complaints management.

**Ms SAUNDERS:** Then depending on which contract it is, if it is the Commonwealth, they will come when they do their quality auditing and look at their clients and randomly look at complaints and how they have been resolved. In Victoria we have to record level one or category one complaints. So there are a range of different systems.

**Mrs BARBARA PERRY:** What do you have to report in New South Wales?

**Ms DOUGLAS:** Nothing against the ADHC funding currently. We would link in with the New South Wales Ombudsman if there was a complaint in relation to either us as contractor or the department.

**Mrs BARBARA PERRY:** So Victoria report category one and category two complaints to the Minister or to the department?

**Ms SAUNDERS:** To the Victorian complaints commissioner or the disability commissioner.

**Ms DOUGLAS:** Both the department. Category one incidents are serious assault, rape. Category two and category three are managed internally. So category one, the disability service commissioner now through legislation changes this year also gets to see them because he wants to analyse what is happening across the sector in relation to category ones so they do not just sit within the department.

**Ms SAUNDERS:** But we would go back to the New South Wales referring agency to tell them one of those things.

**Mrs BARBARA PERRY:** Did you give evidence in the Cummins Inquiry in Victoria?

**Ms DOUGLAS:** No, I did not.

**Ms SAUNDERS:** No.

**Mrs BARBARA PERRY:** Do you have any views in relation to Cummins? Have you read the Cummins report?

**Ms SAUNDERS:** No, I have not. That was the children's one, was it not?

**Mrs BARBARA PERRY:** Yes.

**Ms SAUNDERS:** No.

**Mr KEVIN CONOLLY:** In terms of tendering and the compliance burdens and the paperwork tasks, I do not know how that works in Victoria. We have had a number of submissions here in New South Wales saying that organisations would like us to find a more standardised way or pre-qualification scheme so people did not have to keep reporting the same information. Can you comment on your experience on how that has worked and what suggestions you might have to make that easier for non-government organisations?

**Ms SAUNDERS:** A simplified situation would be wonderful because, as Ms Douglas said, we have a number of different contracts. It is all pretty much the same but everyone tweaks it slightly differently. Our software pretty well is able to provide the information. It is just that we have to form different bits and answer it slightly differently for those contractors. So we have the basic information pretty well available. With the Commonwealth having their common standards for community aged care, they seem to be getting that sorted out. Whether or not we could roll some similarities from that through to other like services, that would certainly assist.

**Ms DOUGLAS:** Certainly we have done a lot of tenders in South Australia recently, and there are common headings as to the questions that are being answered. So you are really cutting and pasting and dropping it into the next tender. The bit that is changing is a model, so it is generally the model around how the service delivery will happen and the costings of that model. So a lot of the compliance, quality, staffing ratios, management structure are not changing. The bit that is changing is around the model of care.

**Mr KEVIN CONOLLY:** We had a witness earlier who said that 80 per cent of the tender is common information and the other 20 per cent is specific to the particular task that you are going for.

**Ms SAUNDERS:** Yes.

**Ms DOUGLAS:** Yes.

**Mr KEVIN CONOLLY:** It has been suggested that we try to get a pre-qualification scheme to collect information about your organisation, your structures, governance, viability and track record and collect that once for a period of time and then just let you address the specifics of the tender.

**Ms SAUNDERS:** In a way that is sort of what South Australia does. The South Australian Government has a master plan or a master agreement that we went through amazing hoops to pass. Then when tenders come out they will send it to approved providers within that master agreement.

**Mr KEVIN CONOLLY:** So it is that kind of structure.

**Ms SAUNDERS:** Yes, it is. We still have to go to the specifics but we do not have to give quite as much other information as in some other places. I had forgotten about that.

**Mr KEVIN CONOLLY:** And that has proved a better way of doing business?

**Ms SAUNDERS:** Yes, I think it has been quite good. As Ms Douglas said, we still have to give a fair amount of information. So they have some comfort that we have met their basic standards. They will not make the tender information available to every organisation; it is only those ones that have complied with that first level of their scrutiny as well.

**Ms DOUGLAS:** The other bit they have suggested is that if you are already compliant with ISO or with some of the occupational health and safety systems, that that is tick box and you provide evidence of that and you are accepting of that certification, rather than writing lots about what you do in occupational health and safety.

**Mr KEVIN CONOLLY:** Every time.

**Ms SAUNDERS:** Yes.

**CHAIR:** That would lead, I guess, to a star rating system of your organisation in relation to being asked to look at certain tenders across the board, would it not?

**Ms DOUGLAS:** Yes. We think that is where the department of health and ageing—our clients will ultimately go to some sort of star system where they will choose where they spend their money. If I am going to put my mother into a residential home I will look who has sanctions against them currently and not go near them. Equally, I would look at where I am going to get value for money if I have community dollars to spend.

**CHAIR:** In relation to workforce, currently you operate across four States and two Territories, providing 1.1 million hours of service to people in their own homes through 1,900 support workers and 250 administrative professionals and management staff across 23 sites. I guess you have come a long way from a Little Company of Mary Health Care. How do you manage workforce recruitment and sustainability providing on-the-ground front-line services?

**Ms SAUNDERS:** I say we manage it reasonably. If you asked them out there they would probably kick me. We have a flexible employment agreement. Right from the start of Silver Circle it was to say we want to employ people who will come in and provide the services when the client wants it, rather than saying to the client, "You'll be going to bed at five o'clock because the roster finishes at 5.30." We very much came from that in the beginning. We employ people who are willing and understand that the hours will vary and the times will vary; it is a real mix and match. We probably spend more time in rostering because we know that this person will do every morning but not Tuesday and so on. So the people who want regular guaranteed hours probably do not want to be with us in the more remote areas anyway. We can probably meet a lot of those needs in the metropolitan areas. For the workforce that we have, if we get the right people, they like that flexibility. They can go and read at school on Tuesday mornings and we can work around them and still look for continuity of care for our clients but knowing that this person is not available on a Tuesday morning. So it is a challenge.

**CHAIR:** What about from the professional level like occupational therapists, speech therapists, physiotherapists? How do you go about recruiting and retaining those people in regional areas? For example, in your experience in regional Victoria, South Australia and the Northern Territory there would be some pretty classic cases of tyrannies of distance in those regions and we have the same in regional New South Wales. How does that fit?

**Ms SAUNDERS:** Those allied health people would be our case managers. We do not go looking specifically other than we need registered nurses with our high-care package people. They are very hard to find in Darwin, for instance, and we keep the one we have in Alice Springs. It is certainly a challenge to get appropriate people to be case managers in most of those places. One of the advantages of our organisation is that we have these numbers. If we are short of a nurse in Darwin while we are recruiting, we can send somebody up from somewhere else who can fill in, do some credentialing, a bit of mix-and-match. It is an interesting opportunity. For a person who would not necessarily have the opportunity to go to places like the Darwin or Bathurst Island to do some work. It has been quite good but it is touch and go at times for sure.

**CHAIR:** What about remuneration? They say government versus the non-government organisations, there is that gap. Do you find that?

**Ms SAUNDERS:** Yes, we are not big payers—do you mean get more from the government?

**CHAIR:** Yes.

**Ms SAUNDERS:** Yes, they do. We were only bought by the Little Company of Mary Healthcare seven years ago, so we have been Catholic for seven years. Before that we had similar values and that very passionate client focus and I think staff really relate to that. When we did become part of the Little Company of Mary Healthcare their values resonated very strongly with the staff. So they recognised that salaries and so on are not the same but we get very high staff engagement ratings with Best Practice Australia, which is an external benchmarking organisation. That is not to say it is not hard, it is still hard.

**CHAIR:** The regulatory regime in which you operate, the governance, it is fine to put in a tender and fine to win that business and then say you are going to provide services, and we just talked about the workforce and delivering those services. How do you manage the governance and how do you operate in the regulatory regime that is required to deliver those services?

**Ms DOUGLAS:** I agree with the previous presenter. I think not-for-profit organisations have come a long way, probably in the last 10 years in relation to how we are governed. We are part of a billion-dollar organisation, so that gives us a hierarchical structure in relation to boards and an executive group in Sydney and executives at each of the service types. We have RiskMan, we have Lawlex scanning for legislative changes and we have a director of clinical services because we do deliver nursing services and we have a rigour in policy and an audited compliance across the organisation.

**Ms SAUNDERS:** In broad strategy, it is saying we are continuing to look at growing the services in the region as we already exist, so we are not going to spread ourselves any further but to consolidate where we are. In the places we are we would, as an executive of Calvary Silver Circle, look at tenders coming through and say can we do this, how is the workforce there. There have been a couple in South Australia where staff changes have been happening and we have said no, this is not fair at this point. At that level we would do some screening. If it was really big or different it would go up the line. I am fortunate to have two hats, to be the chief executive officer of Calvary Silver Circle and be on the next level up, which is the national leadership team of the Little Company of Mary Healthcare. Then there is a board and they have audit risk committees and all sorts of structures in place. So we feel pretty regulated.

**CHAIR:** Going back a step to the complaints, you are saying in New South Wales you are not sure yet whether you would go to the New South Wales Ombudsman? In the contracts you now have with New South Wales, are you saying there is no set criterion in relation to escalation of complaints?

**Mrs BARBARA PERRY:** Not like Victoria, is what you are saying?

**Ms SAUNDERS:** I am saying I am not clear really, and I am not sure really how much documentation we have with the Department of Ageing, Disability and Home Care, because it is not a very big volume that we have been doing. We put in; we have been accepted. I have not seen anything of late, so I am not sure what it says. But if you have something like that, you would go back to the contact you had and then determine where it went. We know enough about having to give that sort of feedback.

**Mrs BARBARA PERRY:** You said you put in. What have you put in?

**Ms SAUNDERS:** Several years ago we put in a submission to be able to provide Department of Ageing, Disability and Home Care services in the Riverina for attendant care. We were accepted. Nothing much happened for a while and is only more recently that people are being referred.

**Ms DOUGLAS:** I suppose it because, similar to the previous organisation I worked at, when you are working across multiple States when there are differences you tend to set your own internal benchmark of what is a good practice, whether it is occupational health and safety, and with complaint management you set the benchmark fairly high or above compliance for some States and just comply with others.

**(The witnesses withdrew.)**

**(The Committee adjourned at 4.35 p.m.)**