

6.0 Overview of proposed reforms

A key finding of this inquiry is that government expenditures are not meeting expectations towards closing the gap across a range of outcomes. There are clear opportunities to improve practice and performance.

This section provides a brief overview of a proposed reform agenda the Commission believes is most likely to achieve the changes required to improve outcomes in communities. The remainder of Part B of this report examines each element of the proposal in more detail.

Key points

- To reform service delivery, a number of approaches could be taken, from incremental policy improvements and better commissioning of services to more fundamental structural reform.
- The evidence presented to this inquiry suggests that although there is a need to build on successes, ‘more of the same’ is unlikely to achieve community and government goals. A more fundamental change is necessary—stakeholders, too, overwhelmingly support the need for reform.
- The potential benefits from reforms that improve outcomes are large—addressing the root causes of disadvantage would deliver at least \$500 million in benefits every year.
- The proposed draft reform agenda has three key elements:
 - structural reform—to transfer accountability and decision-making to regions and communities, reform funding and resourcing, and ensure independent oversight
 - service delivery reform—to better focus on the needs of individuals and communities through service delivery models that suit the circumstances
 - economic reform—to better support community development, enable economic activity and make communities more sustainable.
- All reform elements need to be supported by building the capacity and capability of government, service providers and communities to work together and engage with reforms.
- The reforms are intended to:
 - increase the effectiveness of services delivered into remote and discrete communities and achieve better value for money for government expenditures
 - empower individuals to take greater responsibility for outcomes in their communities
 - improve the lives of Aboriginal and Torres Strait Islander people living in remote and discrete communities.
- There will be transition costs, but the reform is about better use of existing money, rather than new expenditure.
- It will be essential to get implementation right—the reforms will take time to implement and will require a long term commitment.

6.1 Rationale for reform

Part A of this report provided an overall assessment of the current approach to service delivery in remote and discrete communities.

It showed that there have been many billions of dollars invested in remote and discrete communities by successive Australian and Queensland Governments. Despite this investment, the social, health and economic outcomes in most remote and discrete communities have gone backwards, remained static or improved only very slowly. As a result, outcomes for Indigenous Queenslanders in remote and discrete communities remain far behind their non-Indigenous counterparts and have failed to keep pace with gains achieved by Indigenous Queenslanders in the rest of the State.

A large part of the problem is that individual choice, markets, rewards and responsibilities have a limited role in these communities. Although there has been a significant effort to increase community consultation, decisions about service provision are largely made centrally by people who are distant from the ‘wicked’ problems facing remote and discrete communities. Although there are strong financial reporting requirements, accountability for performance is relatively weak, with few measures to ensure that services are responsive to the needs of residents in discrete communities. As a result, despite the best intentions of individuals on the ground, service delivery often does not match the needs of the people it is supposed to serve.

The Commission observed, and stakeholders reported, numerous stories about the duplication and gaps in service delivery. These arise because there are significant overlaps in responsibility between organisations, agencies and between levels of government. Funding for externally provided services is overly fragmented and uncertain, and mainstream service delivery remains siloed despite efforts at coordination.

Consultations with stakeholders revealed dissatisfaction with the way decisions are made, funding is allocated and services are measured and evaluated:

Aboriginal and Torres Strait Islander local governments in Queensland have been raising the issue of service delivery for many years. They are concerned to see major structural changes in how services are funded and evaluated. They wish to ensure service delivery within their council area is co-ordinated, avoids duplication, is tailored to meet the varying needs of each community and maximises local economic participation and the percentage of each government dollar spent on the ground. (LGAQ sub. 14, p. 3)

These issues are not new. For example, in July 2001, the then Premier Peter Beattie commissioned Justice Tony Fitzgerald QC to lead a review of justice issues in Cape York communities. The findings of the Fitzgerald review mirror many of this inquiry. As the Government response to the review noted:

The Study made clear that government service delivery is inefficient, inaccessible to many who require service and is often unable to be delivered where and when it is required. The Study identified complex funding arrangements, fragmented service delivery, competing departmental priorities, which were unconnected to community agreed and owned priorities, as barriers to integrated processes. (Spence MP 2003)

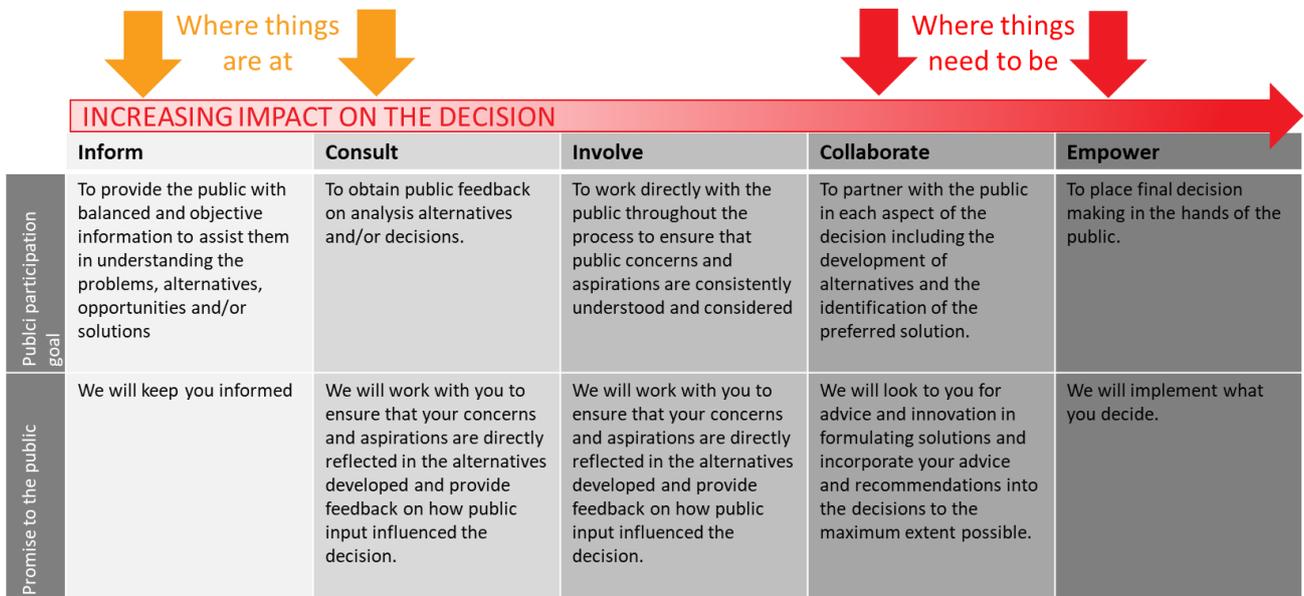
6.2 A need for greater community control and responsibility

The evidence suggests (see Box 6.1) that improving outcomes will require that communities exert more control over service delivery. Stakeholders, including government policy makers, agree about this. Indeed, the Fitzgerald Cape York Justice Study (Fitzgerald 2001) recommended mechanisms to increase community control, and these recommendations have been mirrored by numerous other reviews and initiatives (for example see Crime and Misconduct Commission 2009, RCADIC 1991, AHRC 2012, Empowered Communities 2015, AG 2014, NTRC 2017).

Despite these recommendations, there is little evidence that communities exert influence over service delivery in their communities (Figure 39). There are isolated examples of initiatives to increase community control over some elements of service delivery (such as through the Welfare Reforms), and the evidence suggests there has

been significant improvements in community governance capacity. However, in general, there has been a lack of progress and stakeholders continue to express a strong desire for change.

Figure 39 Our assessment of where remote and discrete communities sit on the spectrum of public participation



Source: Adapted from IAP2 Federation 2014.

There are many reasons for the lack of progress, including challenges associated with developing governance capacity in communities. However, progress has been hampered by (Queensland and Australian) government’s inability to fully commit to reforms.

When things have gone wrong or progress was slow, the natural tendency of government has been to take control. While this may provide a short-term fix, it fails to empower or address the long-term needs of remote and discrete communities. Rather, it embeds a cycle of policy making that (as noted by Moran (2016)):

- purges—reforms tend to discredit everything that came before it, with developing capacity swept away with each wave of reform
- swings—policies come and go with regularity, usually overreaching before being replaced
- mimics—if something is found to work it is replicated in other areas without taking into account the local factors that determine success
- contradicts—not only do policies and programs overlap, they often contradict each other.

These issues are well known—stakeholders in government are acutely aware, and often had a deep understanding of the issues. Many were involved in developing innovative, and sometimes successful solutions. However, overall, the centrally managed service delivery system is failing to solve the complex and challenging issues in remote and discrete communities.

Box 6.1 What works—governance in Indigenous communities

The evidence about what works in service delivery in remote Indigenous settings in Australia is scant. However, the evidence that is available suggests that the active involvement of Indigenous residents is a crucial condition for success, particularly for those services attempting to address the underlying causes of dysfunction in communities (Hunt 2016).

More robust evidence is available from overseas, particularly from research into Indian reservations in the US and Canada. This research shows that:

- Community control of primary health care is associated with improved health outcomes—the longer primary health care is in community control the larger the effect on outcomes (Lavoie et al. 2010).
- External controls imposed on communities stunt long-run income growth—tribal sovereignty and economic growth tend to co-align (Frye & Parker 2007)
- Research conducted in British Columbia demonstrated that those communities that had achieved a measure of self-government—had exercised land rights, promoted women into positions of leadership, preserved culture and worked to gain control over their civic lives (health, policing, education and child-welfare services)—had very low rates of suicide compared to those communities that did not (Lalonde & Chandler 2015).
- A significant body of international evidence suggests that self-determination and strong governance structures are linked to better outcomes in Indigenous communities:

It is striking that the measurable progress achieved by First Nations is not a result of government programs. It comes from self-determination: taking control of their own affairs and making the most out of their assets. The most effective government intervention has been legislation to remove roadblocks and create opportunities that First Nations can exploit under their own initiative. (Flanagan 2016, p.ii)

- The Harvard Project on American Indian Economic Development examined social and economic development on American Indian reservations to identify why some American Indian nations are more economically successful than others. They found that the best predictors of economic success were not those factors that are classically thought of as “economic”, such as education, natural resource endowments, location or access to capital. While these had value, their contributions to economic development depend on a prior set of largely political factors being: practical self-rule; capable governing institutions; and culturally appropriate governance (Carnell & Kalt 2003).

When Native nations make their own decisions about what development approaches to take, they consistently out-perform external decision makers—on matters as diverse as governmental form, natural resource management, economic development, health care and social service provision (HPAIED 2015).

6.3 Widespread support for reform

Stakeholder meetings and submissions indicated a strong desire for reform. This was not only true amongst community stakeholders, but also amongst agency leaders, policy developers and frontline workers within the Queensland Government, NGO service providers and the Aboriginal and Torres Strait Islander leadership.

The desire for more independence from government and control over service delivery was evident in most communities:

Governments persist with fly-in, fly-out models of service delivery and centralised decision making. It is time for this entrenched model to shift ... [TSIRC recommends that] the Queensland Government establish a whole-of-government approach that gives back decision making, funds-management, service planning and delivery, to the greatest possible degree possible, to the local TSIRC region. (TSIRC sub. 12, pp. 8, 11)

The aspiration of Yarrabah is to enable the community and individuals to choose and coordinate their own path to empowerment and development. (Central Queensland University sub. 7, p. 3)

Woorabinda community members need to be considered best placed to drive change in their community. This requires a bottom-up approach to accommodate not only meaningful engagement but more importantly, community ownership. Local decision making, program design, the ability of community to participate in problem solving, and respect and understanding for local cultural constraints are critical aspects of the process. (The Woorabinda Aboriginal and Torres Strait Islander Corporation for Social and Emotional Wellbeing and Health sub. 5, p. 2)

Consultation in the past has been tokenistic and negotiations need to occur for equal relationships to develop. (Barambah Local Justice Aboriginal and Torres Strait Islander Corporation sub. 2, p. 4)

Closing the Gap on Indigenous disadvantage requires a paradigm shift in the approach of government to service delivery in remote Indigenous communities ... For too long Indigenous communities have been told what is best for them. This disempowers and alienates communities. It is not the basis for a mutually respectful relationship. (LGAQ sub. 14, p. 19)

Submissions from researchers, peak bodies and other representative bodies also stated a clear preference for large changes to the way services are funded, delivered and designed. The Cape York Institute argues that a transformation reform agenda is required to improve service delivery:

Given the broad scope of the inquiry, at the outset a fundamental point must be made. The desired destination – that is, convincing improvement in outcomes in remote and discrete Indigenous communities – cannot be reached through improving the current model of service delivery. What is required is a complete shift – that is, a transformation that replaces the current service delivery model with a new approach ... There is little value in pursuing programmatic reform that is not guided by structural reform that correctly diagnoses and responds to the flaws that are embedded in the foundations and operations of the current system. (Cape York Institute sub. 26, p. 3)

... the way that services for remote communities are designed and delivered has become too removed from the recipients of those services and has fundamentally disempowered Indigenous community residents by denying their sense of agency in the key decisions that affect them ... Structural and service-delivery reform that prioritises more devolved, community-driven, co-designed service delivery, complemented by economic development [is needed]. (Limerick sub. DR5, p. 1)

This view is shared by the Queensland Family and Child Commission:

The QFCC believes significant systematic change in funding, service delivery, governance and evaluation is required to ensure government money is well spent and outcomes are achieved. (Queensland Family and Child Commission sub. 15, p. 1)

The Centre for Independent Studies suggests that any reforms must change the way decisions are made, with greater responsibility devolved to communities:

The ultimate outcome of this transition is to vest greater decision-making power in Indigenous communities to create a co-accountable approach to service-delivery management and outcomes. In this framework the community holds the decision-making capacity as to how and where money is spent for additional services, according to each community's individual needs. The federal and Queensland governments should instead act as a single point of contact for the community to provide economic provisions and advice, but the ultimate decision-making capacity lies with the community. (Centre for Independent Studies sub. 21, p. 6)

QCOSS concurs with this view, stating that service delivery models need to be place-based, with greater emphasis on community views:

QCOSS supports citizen-led, collaborative, place based approaches to develop tailored responses to the challenges faced by local communities... they enable joined up and integrated engagement over complex social problems and contribute to the development and provision of services which are reflective of, and responsive to community needs, strengths, opportunities, and cultural sensitivities. Such a holistic approach to service delivery is crucial to producing better social outcomes. (QCOSS sub. 18, p. 1)

The National Centre for Wellbeing adds that any reform agenda needs to include and empower individuals and communities:

For Indigenous children to enjoy brighter futures; barriers to education, employment and accessing health services, together with the high risk environments in which some are raised, must be addressed through sustainable solutions. The issues are complex; however, the evidence suggests that genuine inclusion and empowerment of community members through what sustainability education advocates call 'deep learning' is paramount. (National Centre for Wellbeing sub. 16, p. 1)

Similar opinions were expressed in conversations during our consultations with service providers and government frontline workers:

We will never be able to make it work from George St. (anonymous State Government policy officer)

We have to go to one door for this, another door for that. There needs to be a one-stop shop. (Anonymous community service provider, Mt Isa)

There needs to be a delegation of decision making power to people on the ground... they don't have any delegated authority and need to seek approval from Canberra to do anything. (Anonymous frontline worker, Torres Strait)

There is no input from community on how services are developed. Programs are written up in Cairns, then ask the community to accept that. Government doesn't come back and ask community what they want. (Anonymous, Coen)

The Australian Productivity Commission's current inquiry into human services draft findings include:

Place-based approaches—service delivery models based on achieving outcomes for a place—are more likely to contribute to achieving community priorities than programs that align with jurisdictional, departmental or program boundaries. (PC 2017a, p. 235)

6.4 Options for reform

The terms of reference ask us to identify investment practices and/or services and programs that are likely to be most effective in improving outcomes. The Commission identified several options for reform (Figure 40), and assessed these against a set of principles based on the current state of knowledge of what works (Box 6.2).

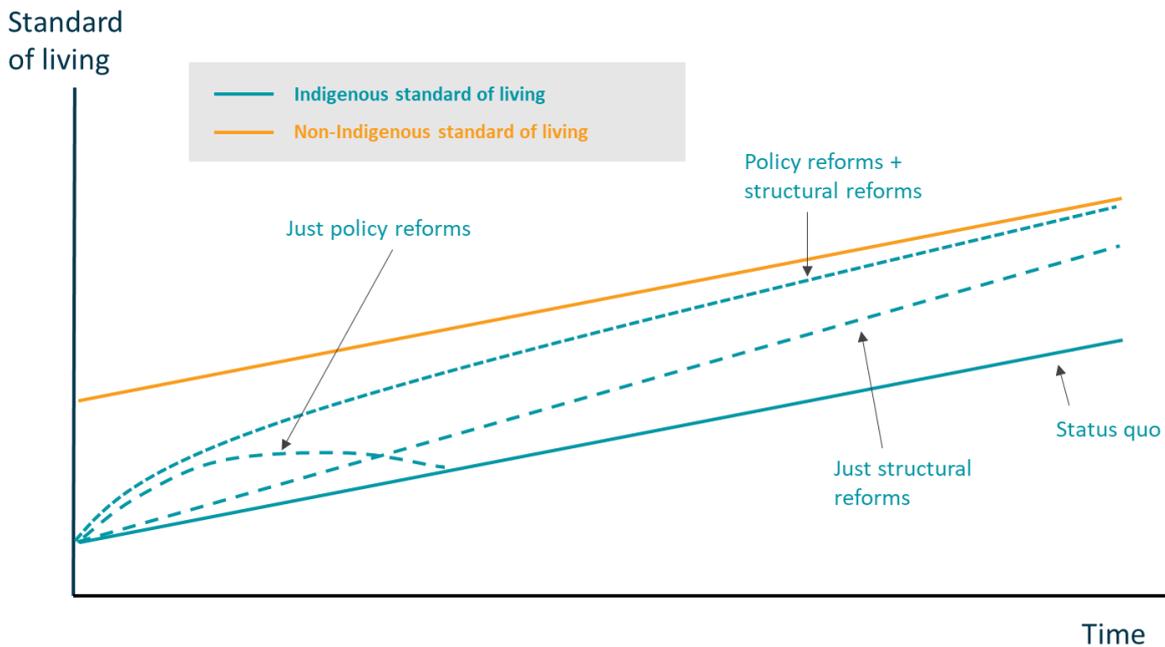
The first option is to **maintain the status quo**. This approach is based on incremental change, and emphasises caution, suggesting large change risks doing more harm than good. The evidence, however, suggests that the status quo is failing to make sufficient progress towards closing the gap on Indigenous disadvantage. It is likely that more far-reaching reform is required.

A second approach is to make **better use of policy tools** that focus on the needs of individuals and communities—such as more flexible funding instruments, place-based approaches, user-driven models or social reinvestments. These instruments (and others) are all important policy tools, and increasing their use is likely to be important to improve outcomes for communities. However, in the absence of other, more comprehensive, reforms to change decision-making and accountability, they are unlikely to embed a permanent change, and things will soon revert to the status quo.

A third option is for **government to commit to a structural change** that delegates decision making and accountability for service delivery to communities. This approach will embed change, ensure that service delivery is accountable to communities and empower communities to move away from government-provided support. Progress, initially, is likely to be slow. Not all communities are ready for this change, and it will take time to change the way decisions are made and for communities and government to develop the capacity to do things differently.

The fourth option involves **both structural and policy reforms**. This option acknowledges that, in order to give policy instruments the best chance of working, a comprehensive reform agenda is required. Communities need to be empowered and enabled to make decisions about service delivery, but they also need access to the full range of policy tools and instruments that are most likely to improve outcomes.

Figure 40 A stylised assessment of options for reform—a comprehensive reform agenda is most likely to improve outcomes



Box 6.2 Assessing reform options

The Commission considered reform options against a set of principles that encapsulate the current state of knowledge about 'what works'. These principles include:

Subsidiarity: Issues should be dealt with at the most immediate or local level that is consistent with their resolution—a central authority should have a subsidiary function, performing only those tasks that cannot be performed at a more local level (DPMC 2014, p. 20).

Durability: Any change should be sufficiently robust and durable for the long term. There needs to be a process for responding to changing circumstances that allows for any new arrangements to be amended through mutual agreement. However, reforms must avoid the ad hoc decisions that have plagued Indigenous affairs.

Fiscal sustainability: Fiscal sustainability is essential to ensure a mechanism for Indigenous peoples to exercise their own government jurisdictions. Although it is unlikely that many Indigenous communities will be fiscally independent in the foreseeable future, reforms need to promote greater independence and foster viable communities.

Accountability: There should be clarity about who is responsible for decisions—both good and bad. Good governance requires accountability for the expenditure of public money, but there should be a balance between accountability requirements and the need to allow decision-makers to learn from mistakes. Service providers need to be accountable to the communities they serve.

Efficiency, effectiveness and equity: Outcomes-focused service delivery models can assist the delivery of equitable, efficient and effective services by allowing flexible design and delivery, meeting local needs and contexts, giving greater priority to community-led-and-owned needs assessment and planning, decision-making and accountability (PC 2017a, pp. 23–24).

Empowerment and development: To move away from a dependence on government, people and communities need to be vested with the autonomy to represent their own interests. Empowerment captures the idea that providing people and communities with the necessary skills, resources, authority, opportunity, and motivation—as well as holding them responsible and accountable for outcomes of their actions—will contribute to their competence and self-determination. Central to the idea of community development is the concept that community members are experts in their lives and communities—they take the lead in making decisions on issues, selecting and implementing actions, and evaluating outcomes.

Practicality: Reforms must be able to be implemented in a reasonable timeframe, work with the direction of other reforms, mesh with all levels of government and have the support of key stakeholders, including Aboriginal and Torres Strait Islander communities.

6.5 The reform proposals

The reform proposals set out in Part B of the report have three key elements:

- **structural reform** that transfers accountability and decision-making to regions and communities, reforms funding and resourcing, and ensures independent oversight
- **service-delivery reform** that focuses on the needs of individuals and communities, such as user-driven services and place-based models
- **economic reform** that supports community development, enables economic activity and makes communities more sustainable.

Each of these reform elements must be underpinned by support for capacity and capability building—for government, service providers and communities.

The proposed reforms devolve decision-making authority to communities and provide mechanisms to ensure services are more accountable to those that use and depend on them. Changes that allow longer-term and more flexible funding arrangements are also proposed, so that communities and service providers can adapt and learn as they go. Reforms should be backed up with an open and transparent evaluation framework that encompasses a holistic view of progress in remote communities and establishes regular public reporting of expenditures, outcomes and the progress of reform.

Better use of the policy tools, and improvements at each stage of the service ‘commissioning’ cycle, through a greater focus on users and by managing for performance, will also support more effective and efficient service delivery.

The reforms should build on successes, rather than discarding programs that work.

Without economic development, communities will remain reliant on high levels of government support. Reforms need to consider economic and community development opportunities and how they may influence development, as well as ways in which government can assist and support communities to utilise land holdings to realise their aspirations for development.

If implemented fully, the Commission is confident that the reforms will provide large net benefits (Box 6.3). To achieve these benefits, and to ensure that the best possible returns on investments of public money are achieved, each element of the reform proposal will need to be put in place. A piecemeal approach is possible, but is less likely to succeed, and unlikely to deliver the required long-term gains. For example, changes to the service delivery framework that fail to provide opportunities and incentives for individuals to take responsibility for themselves and their communities will leave discrete communities dependent on welfare and outside service delivery. Similarly, institutional reform that does not include appropriate accountability mechanisms is likely to result in another failed policy experiment.

Although these reforms will take time to achieve, many of the conditions are already in place. The level of governance capacity in communities is much higher today than it has ever been, and we are better informed about what does and does not work in remote Aboriginal and Torres Strait Islander communities.

The reforms are consistent with work already progressing in communities across Australia, including reforms in other states, the Empowered Communities agenda, deliberations in the Torres Strait and reforms being considered by the Productivity Commission's Human Services inquiry.

Getting the implementation of reforms right will be vital—long-term commitment to change from both communities and governments (State and Federal) is required. The reforms will require time, mechanisms to embed the changes and will need support from both sides of politics.

Box 6.3 Benefits and costs of reform

The reforms outlined in this part of the report are intended to enable greater local autonomy and genuine accountability. For the reforms to be successful, their benefits need to outweigh any additional costs associated with them—that is, they need to be considered against a counterfactual of what might occur in the absence of the reforms.

Although we have not conducted a full cost–benefit analysis of the reforms, the Commission is confident they will provide net benefits.

- While there will be transaction costs as service delivery transition to a new way of doing things—for example, there will need to be support for developing the capacity of communities, service providers and government to engage with reforms—these can be minimised if existing capacity is redeployed to support the reforms.
- The reforms are not about more money—rather, the reforms are about redirecting effort and doing things differently.
- Overall, the current approach does not appear to be delivering value for money, and there is little evidence it is working to improve things over the long term.
- The evidence suggests that significant gains can be made by providing incentives for innovation, enabling 'community voice', fully engaging communities in service delivery and enabling longer-term funding approaches.
- The analysis of expenditures shows that there are large gains to be made—if the gap in disadvantage Indigenous advantage was able to be closed this would realise more than \$500 million in benefits every year.
- Closing the gap on Indigenous unemployment by only one percentage point would increase gross state product (GSP) by more than \$130 million (DATSIP 2016, p. 4).

The reforms are discussed in more detail in the remainder of this part of the report:

- Chapter 7 outlines the reforms to roles and responsibilities.
- Chapter 8 discusses direction for policy reform and opportunities for improvements to the service commissioning cycle.
- Chapter 9 identifies options for economic and community development.
- Chapter 10 presents a monitoring and evaluation framework.
- Chapter 11 discusses implementation and provides a roadmap for reforms.

All chapters consider capability and capacity building.

6.6 What would success look like?

For the reforms to be successful, there will need to be broad-based support for the reform direction across government, service providers and communities. In a post-reform world:

- All levels of government will work together to enable service providers and communities to achieve best practice.
 - Government and communities will be genuine partners in developing solutions to challenges
 - Communities will have a much-expanded voice in program design and lead the prioritisation of needs and government's focus is on outcomes rather than how things are delivered
 - The governance and legislative framework will provide sufficient authority to get things done without reliance on a central decision-maker.
 - All stakeholders, including communities, will have access to good quality, timely information that supports decision-making. Service providers will be responsive to community priorities and will be empowered to work with communities to develop innovative, locally appropriate solutions.
 - Compliance requirements will support continuous improvement and reflect the quantum of funding and risk. Mistakes will be seen as opportunities to learn and improve.
 - People living in remote and discrete communities will have access to opportunities for development, including economic opportunities and home ownership, and will be empowered to take them.
 - Reforms will progress and adapt to changing needs and information.
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Recommendation 1

The Queensland Government should commit to a long-term reform of the governance, policy and funding of service delivery to communities. This reform should include:

- structural reform to transfer accountability and decision-making to regions and communities, reform funding and resourcing arrangements, and monitor progress through independent oversight
- service delivery reform to better focus on the needs of individuals through service delivery models that suit the circumstances
- economic reform to enable economic activity, support community development and make communities more sustainable.

Each of these reform elements must be supported by capacity and capability building for government, service providers and communities; and transparent and timely data collection and reporting to support performance and accountability.
