

8.0 Directions for policy reform

This chapter sets out a number of reform directions to improve the effectiveness and efficiency of services, and better meet the requirements of discrete and remote communities.

Key points

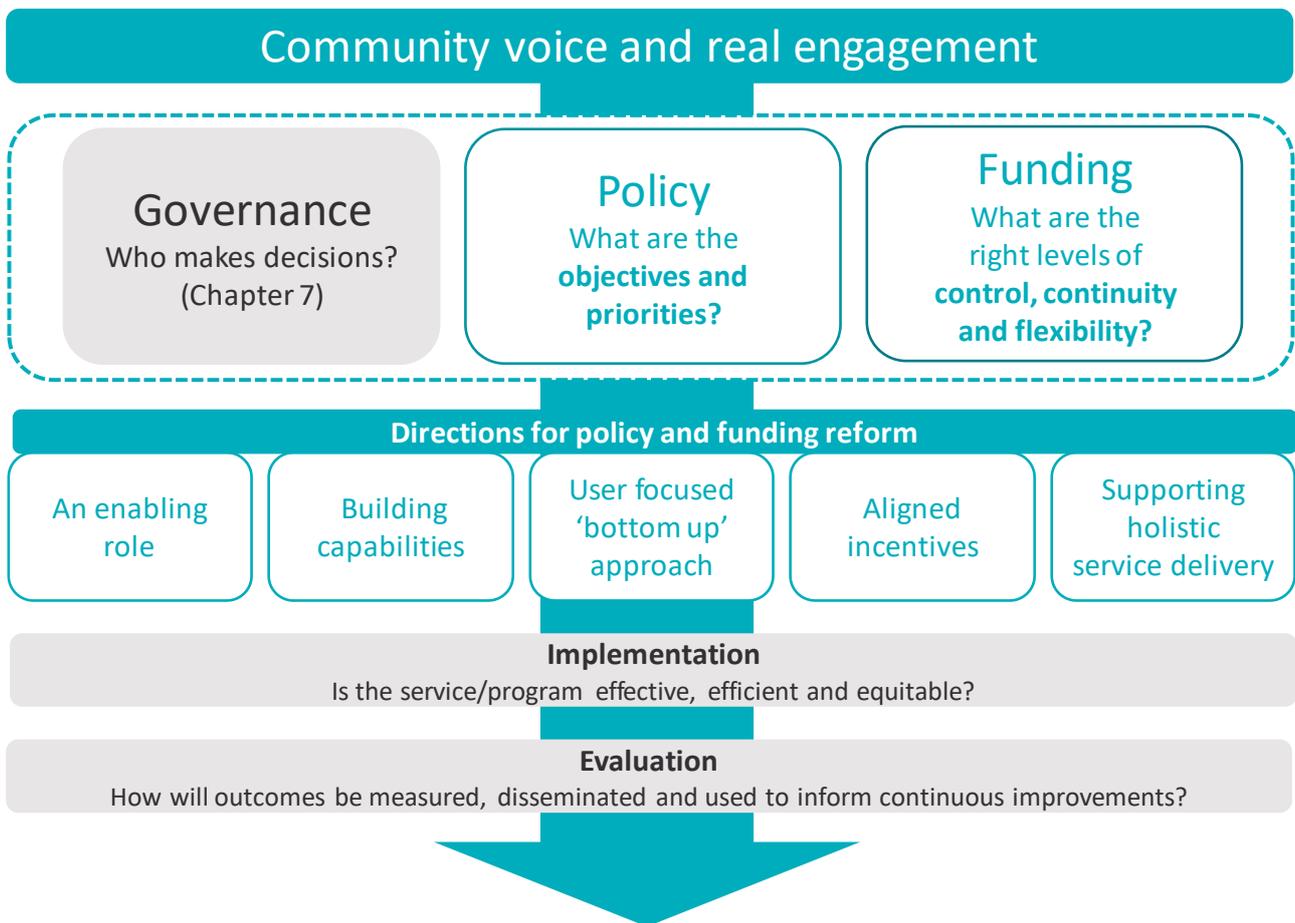
- To achieve better outcomes, government needs to broaden the tools it uses and increase its focus on facilitating non-government actors to drive change.
- Governments need to choose policy instruments that better support development. Funding model reforms that shift the government's role to 'funder and co-purchaser', rather than 'funder, purchaser and direct provider of services', would support a developmental approach.
- A user-driven system of service delivery, where individuals have vouchers or user accounts to choose the services that best fit their needs, could result in more effective, efficient services in some cases.
- Funding reforms that enable flexibility and long-term planning, such as untied grants, pooled funding, block funding and extended average contract lengths, can support improved service delivery outcomes.
- Performance- or rewards-based funding models can provide stronger incentives for service delivery improvement, while providing the flexibility to innovate. Use of these models could be expanded, pending the evaluation outcomes of existing pilots.
- Within a value-for-money framework, procurement policies and contracting reforms need to take better account of a supplier's ability to deliver culturally appropriate services, fully engage with the community, contribute to local governance capacity building, coordinate service provision, and deliver improved employment and training of local and/or Indigenous staff outcomes.
- Scope appears to exist for extending the use of policy tools (for example, Social Benefit Bonds) and organisation models (for example, Aboriginal Community Controlled Health Organisations) to better support holistic service delivery.
- Place-based and case management initiatives cutting across policy areas and levels of government can enable an effective response to community-specific needs.
- Community bodies can provide a forum for community engagement in the prioritisation and co-design of services, and for developing place-based approaches.
- Building community and public sector capabilities is critical to improving service delivery. Within the public sector, 'capability' is much broader than cultural awareness training and involves the ability to change current approaches.

The effectiveness and efficiency of service delivery is a product of the choices made by governments and others concerning the governance arrangements, policies and funding models in place (Figure 48). However, those choices over many decades have also affected both local conditions and the level of demand for services. More fundamentally, service delivery performance is a product of how the relationship between Indigenous people and governments is conceptualised, which shapes the rationale for government policy interventions and the nature of those interventions.

Service delivery reforms should address the root causes of challenges faced by communities, support community empowerment and incentivise development. Models that take a bottom-up approach—such as demand-driven and place-based services—put a stronger focus on delivering outcomes for users, and assist resources to flow to higher-value uses. Iterative learning and capacity building is supported by flexible approaches that devolve decision-making and the control of resources to communities and community-controlled organisations.

While a particular policy tool might be used under various governance or institutional arrangements, and while a particular policy might be funded under different models, governance, policy and funding are often closely connected.

Figure 48 Overview of the directions for policy and service delivery reform



8.1 Changes in approach are required

For outcomes to improve, the relationship between people living in communities and governments needs to be reconceptualised. This will affect how problems are perceived and what the respective roles are of individuals, families, communities, councils, and the Queensland and Australian governments in achieving sustained improvements in standards of living.

Central to this change is a recognition that improved service provision is unlikely to solve the underlying problems in communities. Economic development is critical to addressing social problems (see Chapter 9).

A shift to government as 'enabler'

The role that government has taken on over decades is the role of service provider and the primary 'fixer' of problems in communities, while Indigenous people have often been placed, through a range of mechanisms and historical processes, into a passive role. The failure of this approach and some of the reasons why it has failed are discussed in Chapter 5.

An enabling perspective supports Indigenous enterprises and people to stand up and take responsibility for their own communities—a critical requirement for real change to occur.

There is strong support for the role of government to change so that it supports or enables community-driven change.

We support an enabling model of governance in service delivery that promotes a gradual shift in decision-making power, behaviours, responsibilities and attitudes towards one that builds Indigenous leadership. (The Centre for Independent Studies sub. 21, p. 5)

When economic development is driven by communities, rather than through government-imposed programs, it is usually more successful. Indigenous-driven development does not mean development has to occur without outside assistance, but it means that external support is sought as an enabler to assist communities to achieve their goals and is not imposed as a means of ensuring externally-devised goals are met, (Urbis 2014, p. 35, based on Hunt 2011)

Under an enabling approach, it is not the role of government to identify and fix problems in communities. Communities themselves will do that. They may, however, need support, for example, providing expertise and the transfer of skills. They may also need governments to work with them to change legislation and regulations, or to alter programs.

Moving beyond the rhetoric of 'enabling', the shift implies significant and difficult change:

This requires a radical shift not just in responsibilities, but in behaviours and attitudes of the key partners. Indigenous reform leaders are expected to step up and assume the lead role in driving challenging reforms Government partners, on the other hand, need to take a step back and participate in support of Indigenous leaders and their place-based development agendas. This does not mean that government takes a passive role. Government is an active partner. Its representatives come with valuable knowledge, experience and responsibilities that the other partners do not have.

The role of enabler ... requires an ability to listen and understand what is being proposed from outside government—to create the environment in which Indigenous people can act as the senior partner in negotiations and to drive outcomes, and initially at least, a preparedness to help bridge knowledge and capability gaps if they exist. It requires a capacity to recognise good strategies and proposals developed by others and a willingness to actively look for ways to add value, to make government work as it should in support of good reform ideas. It may mean tackling government silos and blockages to pave the way, identifying funding sources, garnering support from key agencies. (Empowered Communities 2015 p. 41)

Such a change will extend across communities, providers and government:

A recurring feature of evaluations of government programs and strategies with community-driven elements is that the challenge is not just in the capacity of Indigenous communities to lead and manage development, but in the capacity of governments themselves to facilitate effective community development processes. (Limerick & Sutton 2013, p. 49)

Shifting to an enabling role also means that government increasingly withdraws from a direct service provision role. There are many different paths for this change, but the objective is to move to a state where a much larger proportion of the local population have the capabilities and opportunity to participate in service provision and employment within their own community.

The benefits to government from taking an enabling role include:

- Service delivery can be more readily adjusted to local contexts so that the service better achieves its intended outcomes.
- Along with supporting communities in building capabilities, an enabling role better supports economic and community development leading to a lower prevalence of health and social problems that require intensive service delivery.
- It may help manage risk as an enabling role goes hand-in-hand with government providing the space for communities to take greater responsibility. Better risk management can help reduce public pressures that lead to, for example, the frequent changing of programs (Chapter 5).

8.2 Community voice and engagement

A developmental approach informed by communities’ priorities will enable a more efficient allocation of resources to their highest-value use. Central to a developmental approach is the idea 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. A relationships focus is needed, taking a ‘bottom-up’ approach to program design and decision-making that incorporates community ownership and leadership (Hunt 2016).

A review of engagement in regional Queensland recognised distinctions between engagement by government and engagement by communities, ranging from government informing and community observing, through to communities finding their own solutions (empowerment) (Chappell n.d., in Thorpe et al. 2016, pp. 7–8). The spectrum of engagement is illustrated in Figure 49. Real engagement at the ‘empowering’ end of the spectrum would support a developmental approach.

Figure 49 Spectrum of engagement



A key theme identified by stakeholders was that consultation was too rushed and did not engage with recipients of services:

Many Woorabinda residents, however, believe they are not being serviced adequately by visiting services funded to assist their community. The issue is compounded by the fact that local residents have no input into program design to ensure local cultural expectations are met, and no involvement in ongoing decision making. (Woorabinda Aboriginal and Torres Strait Islander Corporation for Social and Emotional Wellbeing and Health sub. 5, p. 2)

Indigenous communities are relationship driven, locals need to know and trust you. Building relationships takes time to establish. The emphasis needs to be on outreach and prevention ... in building community ownership of our health future. (The CEO, Lockhart River Aboriginal Shire Council, in LGAQ sub. 14, p. 9)

Consultation is frequently ad hoc rather than ongoing, limited to certain groups or service providers, and communities were rarely informed of the progress against agreed action items or the outcomes. As a result, issues were often discussed repeatedly without progress against identified priorities.

Real engagement with community ensures that decisions are made locally by the people most directly affected by them. This enables approaches tailored to the local situation and realities on the ground (Chaney 2012), including place-based responses that are integrated and cross-sectoral.

8.3 Choosing policy instruments that support development

When a government considers intervening in a community to achieve a certain objective, it faces choices on how to intervene. At a broad level, three types of policy instruments are available:

- Laws and regulations—may prohibit an activity or action; they also influence the incentives to undertake certain activities or actions.
- Interventions through altering prices—for example, taxes alter the level of prices (costs).
- Expenditure policies—which can entail the direct provision of a service or purchasing a service to be delivered. Expenditure policies involve appropriations under budget processes.

Within each of these types of interventions, many design options are available to governments. The choice of how to intervene, the details of design, and the quality of policy implementation can have a large bearing on whether policy achieves its objectives or whether it unintentionally contributes to problems in communities.

Policy choices involve trade-offs. In weighing the pros and cons of various ways of achieving a certain objective, greater weight (compared to what appears to have been the norm in the past) needs to be given to the long-term implications of the policy choice on economic and community development.

Avoid owning assets

Consistent with an enabling role and the need to support the development of local capabilities in communities, the government should usually choose policy instruments that minimise the degree of direct control over the activity or service.

From a long-term perspective, capital investment is a critical element of the wealth creation process. When a government makes an investment in an asset in a community—businesses or fixed assets, such as facilities—it determines the full range of characteristics of the asset, including the timing, location, service capacity, and the tenure of the land that the asset is built on.

In broad economic terms, governments largely determine the capital structure of the economy in communities. While investment may be needed, investment plans not determined by the market or driven from the local level run the risk of distorting development.

When the government owns an asset, it controls the asset. The government has a responsibility to taxpayers to ensure that their investment achieves value for money and is maintained properly.²¹ Ownership also means control over future capital investments that modify or extend the capabilities of the asset, whether through public or private means. Even where a government leases an asset, the arrangements will invariably be complex and enforce a large degree of control over the asset.

Investing in a business and running a business, and investing in and maintaining large capital assets, requires significant skill. For example, the procurement process for delivering infrastructure, such as a health facility, requires a great deal of knowledge—from how to finance capital investments, to designing facilities, to project management skills, risk management, and designing whole-of-life asset maintenance plans. These skills are maintained within the public sector, or the public sector contracts them to external organisations (which are usually not Indigenous organisations).

Government ownership and control denies communities opportunities to develop these skills and does not nurture a culture in communities of individual or community action.

Significant assets owned by the Queensland Government in communities include:

- retail stores, including the equipment used to fit out the store
- health care facilities and equipment used to provide primary and other health care services
- school facilities
- social housing.

Background on social housing, retail stores and the primary health care is provided in the sections below. Retail stores are discussed further in Chapter 9.

The choice to intervene through ownership of fixed assets with long lives means that government is in for the ‘long haul’. There are very few cases of the Queensland Government transferring the ownership of assets to private entities in communities or community organisations. Because of the longevity of assets and the reluctance to withdraw from ownership once investments are made, investing in and owning assets is an inflexible policy tool. Further, if capital investment is not optimal to community needs, then the mistakes made have lasting impacts on communities.

Housing

Various overseas and Australian jurisdictions are attempting to improve outcomes in Indigenous communities by transferring or extending control to communities of the services provided by assets. For example, the Victorian Government has begun a process of removing the first mortgage it holds over social housing assets owned by Aboriginal Community Controlled Organisations (ACCOs) (Box 8.1). The removal of the first mortgage will give greater flexibility to ACCOs in the management of Aboriginal housing. In addition, the Victorian Government is transferring title and ownership to more than 1,500 properties to Aboriginal Housing Victoria (AHV).

In Queensland, rather than devolving greater control over housing to communities, the National Partnership Agreement on Remote Indigenous Housing (NPARIH) process has effectively extended state government control (discussed in Chapter 13).

²¹ See, for example, the former Department of Infrastructure, Local Government and Planning’s Total Asset Management Plan Framework, Queensland Health’s Asset management and maintenance standard, the Department of Housing and Public Work’s Strategic Asset Management Framework guidelines and Capital Works Management Framework, and Queensland Treasury’s Financial Reporting for Queensland Government Agencies, Financial Accountability Handbook, Non-Current Asset Policies for the Queensland Public Sector, and Non-Current Asset Policies Tools.

Box 8.1 Victorian Aboriginal housing

Removal of first mortgage over housing held by ACCOs

The Victorian Government is piloting a program that will ensure Aboriginal Controlled Community Organisations (ACCOs) have full control of their assets and have the autonomy to grow and plan for the future. This pilot is the first step in a program to remove first mortgages held by the Minister for Aboriginal Affairs for 30 Aboriginal organisations.

Aboriginal Housing Victoria (AHV) and the Bendigo and District Aboriginal Co-operative are the first organisations to trial the program and will receive \$50,000 grants to develop business cases for the removal of the first mortgage over their properties.

The program will see the removal of first mortgages following specific requirements being met, including financial stability and a sound governance history.

In Victoria, Aboriginal organisations currently own 59 properties, over which the Minister for Aboriginal Affairs holds a first mortgage. The first mortgages were generally applied as part of the funding agreement that allowed the organisations to purchase the properties.

Whilst the organisations are the legal owners of the property, the existence of the first mortgage prevents them from utilising the capital to build a better future.

Title and ownership transfer

AHV provides housing services to Aboriginal Victorians through its management of more than 1,500 properties and until July 2016 owned a modest number of those properties, with the Victorian Government owning the rest.

From July 2016, the government began transferring the titles and ownership of its properties to AHV through a staged process, with about 500 properties transferred at each stage.

Using administrative data from AHV's information management systems, AHV, the Melbourne Social Equity Institute and the University of Melbourne's Faculty of Business and Economics are comparing property characteristics and tenant outcomes before and after each stage of title transfers, as well as separately for properties that do and do not transfer. The data are being used to investigate whether the devolution of ownership of housing assets from the government to a private Aboriginal community organisation improves the quality of those assets and leads to better tenant outcomes.

Sources: *The University of Melbourne n.d.; Hutchins 2017.*

Retail stores

Communities have long expressed concern over government ownership of retail stores in communities and a preference for other ownership models. Only in Queensland does the government continue to own retail stores in Indigenous communities.

The Queensland Government owns retail stores through Community Enterprise Queensland (CEQ) (Box 8.2).

Consultations generally indicated that there have been signs of improvement in retail store operations in the short time since the introduction of CEQ in terms of the range and quality of goods on offer (although consultations also revealed continuing concerns on these issues).

From a developmental perspective, government ownership of retail stores monopolises retail trading in many communities and impedes the development of a business culture, perpetuating the problem that little happens in communities that does not have the hand of government upon it (either the Australian, Queensland or local government). There is a history of privately run stores and community stores performing poorly, and there is concern about a repeat of these problems should government not continue to exercise control over stores and the resulting impacts on a reliable supply of quality food in communities. However, governments can influence the provision of reliable and quality food supplies in other ways which do not simultaneously damage development. These issues are discussed further in Chapter 9.

Box 8.2 Government-owned stores: Queensland compared with other states

Community Enterprise Queensland

On 1 September 2016, the name of the Island Industries Board (IBIS) changed to Community Enterprise Queensland (CEQ). CEQ was formed through a merging of retail stores trading under the name of IBIS and Department of Aboriginal and Torres Strait Islander Partnerships (DATSIP) Retail Stores. Both sets of stores are now managed by CEQ. CEQ is a Queensland Government statutory body with responsibility for commercial enterprises in Aboriginal and Torres Strait Islander communities, currently primarily in retailing. CEQ operates under an independent board with its head office in Cairns.

In the Torres Strait and Northern Peninsula Area, CEQ continues to trade as IBIS. The IBIS operational hub is in Cairns. IBIS operates two supermarkets, 16 convenience stores, a service station and a hardware store. DATSIP operated Retail Stores in six very remote communities including Woorabinda, Palm Island, Lockhart River, Pormpuraaw, Kowanyama, and Doomadgee.

Retail Stores and IBIS provide a range of food, drinks, furniture and bedding, white goods and small appliances, mobile phones and phone credits, and other household products. The range of goods depends on the size of the store.

Western Australia

The state government does not own retail stores in Indigenous communities. There have been situations where the government has stepped in and has been involved in arrangements to re-establish a store and transfer it back to local ownership.²²

Northern Territory

The Northern Territory Government does not own retail stores in Indigenous communities. Five regional Shires own community stores as assets under the local government reforms (Victoria-Daly, Roper Gulf, East Arnhem, West Arnhem and MacDonnell) with these stores managed by ALPA. Retail stores in the Northern Territory are owned by communities or land corporations, privately or under a joint-ownership model. ALPA and Outback Stores are contracted in many cases by communities to manage or assist with managing the stores.

Sources: House of Representatives 2009; DATSIP 2016.

Primary health care

In Queensland and nationally, the process for transferring primary health care services to community control has been long and is ongoing (Box 8.3). Canada is further advanced along this path:

²² See <https://www.mediastatements.wa.gov.au/Pages/McGowan/2017/07/Store-a-catalyst-for-change-in-remote-Aboriginal-community.aspx>.

Over past decades, Australian and Canadian Indigenous primary healthcare policies have focused on supporting community controlled Indigenous health organisations. After more than 20 years of sustained effort, over 89% of eligible communities in Canada are currently engaged in the planning, management and provision of community controlled health services. In Australia, policy commitment to community control has also been in place for more than 25 years, but implementation has been complicated by unrealistic timelines, underdeveloped change management processes, inflexible funding agreements and distrust. (Lavoie & Dwyer 2016, p. 453)

Greater community or local control means government and other health stakeholders engaging with the community to enable greater involvement in planning, developing, managing and delivery of health services, to reflect local community priorities and aspirations. The degree of community control and the form that it takes vary by community.

Box 8.3 Queensland transfer of primary health care to community control

In Cape York, Apunipima was established in 1994, with the Cape York Institute recommending in 2005 that Apunipima take on the delivery of primary health care services for Aboriginal communities in the Cape. The Australian Government, Queensland Government and Apunipima signed a Deed of Commitment in August 2006, with a target date for full implementation of community control by June 2011.

The predominant form of Aboriginal and Torres Strait Islander community control in Australia, and Queensland, is the Aboriginal and Torres Strait Islander Community Controlled Health Organisation (ACCHO) managing and delivering health services, but community control can take other forms such as community-controlled funds purchasing primary health care services from other providers.

International and national research and experience have shown the following:

- In any population, but specifically disadvantaged populations, improving access to primary health care is critical for improving health outcomes.
- Community involvement in the design and delivery of primary health care services is a key factor in improving access to primary health care.
- Canada, the United States and New Zealand have taken a systematic approach to increase community control and have seen improvements in Indigenous health indicators.

In Queensland, the transfer of primary health care services to ACCHOs is guided by the idea that communities are responsible for their health services at a level that is commensurate with their abilities and aspirations.

In 2011, the Queensland Aboriginal and Islander Health Council (QAIHC) released *Pathways to Community Control* as a blueprint for transfer to community control in remote and regional Queensland. In the first instance, these communities are in Cape York, Torres Strait, The Gulf, Palm Island and Yarrabah. In 2011, the Queensland Government released a draft strategic policy framework for the transfer of primary health care services to greater community control, but the policy was never finalised.

Sources: Queensland Government 2011a, 2011b, 2010; Dwyer et al. 2015.

Yarrabah was the first community in Queensland to transition its primary health care services to a community control arrangement. Gurriny Yealamucka Health Services Aboriginal Corporation ('Gurriny') operates primary health care, including general practice services, with the Queensland Government health service offering emergency, dialysis, dental and specialist outreach services:

A notable contributor towards the empowerment and development of Yarrabah priorities is the community-controlled health service, Gurriny Yealamucka Health Service. Gurriny assumed control of primary healthcare services in 2014, and has since performed well above national key performance levels for the majority of healthcare indicators. (McCalman & Jones 2015)

The Yarrabah health centre is owned by the Cairns and Hinterland Hospital and Health Service (CHHS). Under current arrangements, a sub-lease is in place between the CHHS and Gurriny (as the lessee) for the use of building space. Gurriny uses the Yarrabah health centre as its base to deliver services under its community-controlled model of care:

Gurriny's approach of fostering long-term generational change through community-controlled and family-centred programs is critically important for improving health outcomes and mitigating risk factors. (Central Queensland University sub. 7, p. 3)

This arrangement is unique to Yarrabah, and the arrangements for the management of capital in other transition locations will be individual to each community, and dependent upon negotiations between the parties involved.²³

Apunipima operates in Cape York within a hybrid primary health care system (Box 8.3). By 2014, Apunipima had:

achieved significant growth to become a major provider and partner in the delivery of PHC to the Aboriginal communities of Cape York. However, the commitment to full community control of Cape York PHC services had not been realised. In all communities other than Mossman Gorge, a hybrid PHC system operates, with attendant problems in service coordination and pressure on working relationships. (Dwyer et al. 2015, p. 5)

Going forward, the transfer process in the Cape is:

In January 2017, the Boards of the Torres and Cape HHS and the regional Aboriginal and Torres Strait Islander Community Controlled organisation, Apunipima Cape York Health Council, jointly agreed to a Transition Action Plan for Cape York. The Transition Action Plan sees services progressively transitioning in Aurukun from 1 July 2017, with further work to continue around the opportunity for transition in up to four other communities in the future. Once in place, the new arrangements will enable a single comprehensive and integrated primarily healthcare model of care in each community, with Apunipima as the lead provider of primary healthcare services. (Queensland Government sub. 27, p. 11)

Government as funder and co-purchaser

The delivery of a service can be broken down into three distinct roles:

- who funds or finances the service
- who purchases the service
- who delivers the service.

For some services, government fulfils all three roles. For example, in the case of primary schools, the Queensland Government is the funder (with funding also coming from the Australian Government), the Queensland Government purchases the provision of education services from the Department of Education, and the Department of Education delivers the service (at least in most communities).

²³ Consultation with the Department of Health, 28 July 2017.

Due to reforms over the last few decades, governments have been withdrawing from the role of provider for some services (for example, employment-matching or brokering services), while maintaining a funding and purchasing role. The different roles and the trend towards more agency contracting of the delivery of services is illustrated in Figure 50.

The trend of government withdrawing from the provider role in favour of contracting the provision of services is consistent with the following ideas:

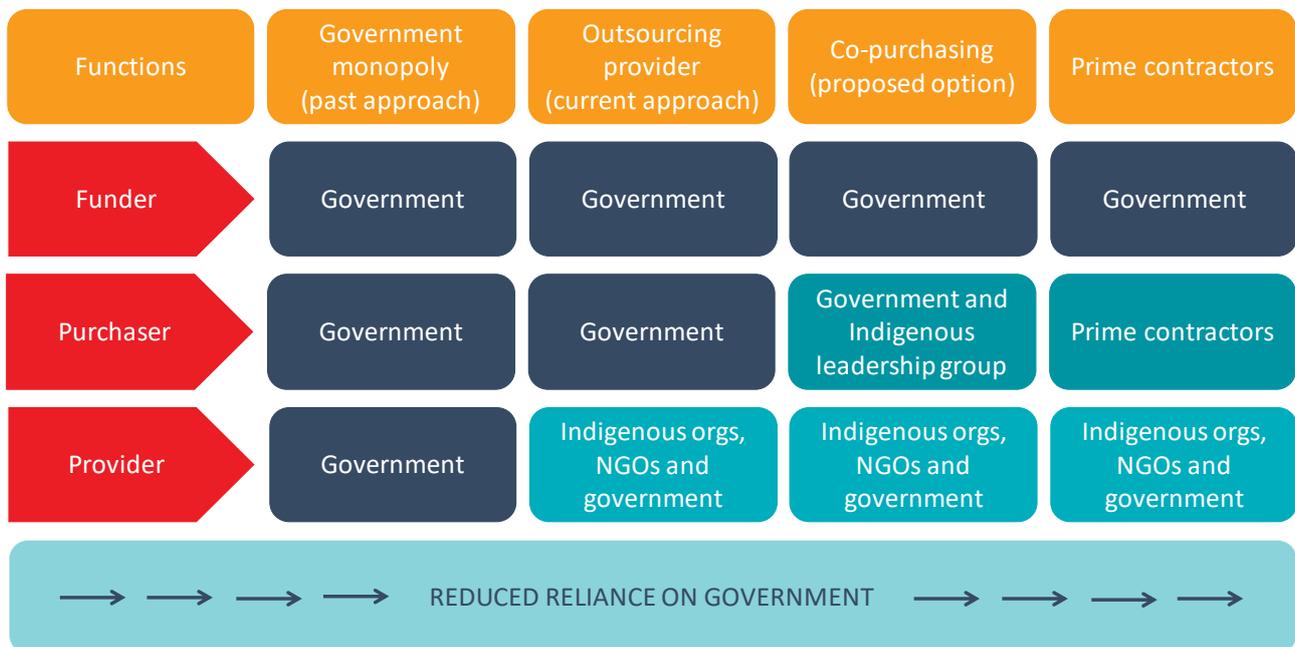
- Communities need to take more responsibility for the provision of services and be less reliant on governments (a less ‘passive’ service delivery model).
- Through participation in service delivery, community organisations can enhance their capabilities over time.

If communities are to be empowered to drive change, then government needs to provide the space for this to occur:

CYLC supports the proposal to shift government's involvement in service delivery to the role of funder and co-purchaser rather than funder, purchaser and direct provider of services. An arrangement where government is the funder and co-purchaser of agreed outcomes in cooperation with communities would empower communities to drive their own development and service delivery. (CYLC sub. DR13, p. 2)

Contracting also has potential to provide local employment benefits (discussed in Chapter 9).

Figure 50 Funder, purchaser and provider reforms



Notes: A prime contractor model involves a commissioning approach where a government contract is awarded to a high-level organisation that has the responsibility of organising and managing a group of subcontractors/providers often called the supply chain. In more traditional purchaser/provider models, government purchases services that are delivered by either not-for-profit or for-profit providers. The prime contractor model introduces a new entity into the purchasing arrangements, which involves a not-for-profit or a for-profit organisation taking on a role as purchaser/manager of public services. This creates a three-tier approach, government as funder, a not-for-profit as purchaser (the prime contractor), and services purchased from not-for-profit, for-profit and/or government agencies as providers (O’Flynn 2014, p. 6).

Source: Based on Empowered Communities 2015, p. 67.

While these reforms have shown benefits, there have also been problems. Communities have been critical of contestability (or competitive tendering) reforms. The underlying problem is not the model as such (that is, the withdrawing from the provider role in favour of agency contracting), but how contracting processes have been conducted in practice (as well as problems in short-term contracting and fragmentation of funding). In particular, it is argued that the outcomes of tender processes have favoured large (often national) NGOs over community-based NGOs.

Communities said that tender evaluations are not achieving desired outcomes in terms of value for money. In their view, the desired service outcomes are often not being achieved by large NGOs, largely related to the problems of delivering services when cultural capability, local context and local authority matter. This suggests that if large NGOs are winning tenders largely based on their cost competitiveness, then the 'real' cost of their tenders is higher.

Both the Queensland and Australian governments' procurement principles are intended to be holistic (taking account of a broad concept of costs and benefits). However, in practice, tender evaluations may focus more narrowly on the specific outcomes sought by the delivery of the service. Where those outcomes are not achieved, contract monitoring processes should identify the failure. If contracted service delivery is not achieving the intended outcomes, this should be reflected in the loss of future contracts.

In practice, there are a range of factors that could contribute to poor performance going unchecked. Monitoring of on-the-ground performance can be difficult and costly. Decision makers may be risk averse so that, even if monitoring has indicated that performance is poor, this situation, from the decision maker's perspective, may be better than contracting an alternative Indigenous supplier whose likely performance is uncertain (e.g. if they have no prior track record of performance).

Procurement policies include strategies to help counter-act these problems. One strategy is to reduce the barriers to participating in procurement processes (e.g. providing information on processes, providing assistance in connecting with procurement processes, designing tenders in a way that do not unintentionally lock-out small and medium sized businesses from participation). These types of strategies better prepare Indigenous organisations for competitive tendering processes. Other strategies, such as adjusting tender evaluation criteria, are considered in Chapter 9.

Achieving the right balance in service delivery tender outcomes means balancing the benefits of cost-efficient service delivery with the longer-term benefits of community development through stronger and capable community organisations.

While the overall direction of the funding model reforms is consistent with the evidence on what should work and what community-led initiatives and consultations have strongly indicated as the preferred way forward, improvements should be made in the areas of:

- increasingly involving communities directly in the purchaser role as co-purchasers
- tender evaluation criteria and processes that likely mean that there is some re-balancing of tender outcomes towards long term value for communities
- ensuring that the barriers to participating in tender processes for Indigenous organisations is minimised, and that sufficient support is provided
- improved transparency of tender processes, perhaps also reporting on the reasons why particular service providers are chosen
- greater accountability of service providers to communities.

Devolved and flexible funding models

The degree of devolution in funding models has implications for local capability building:

Devolution is no panacea; indeed, given the diversity of context, and the difficulties of backing innovative grant systems with the level of support that has proven necessary elsewhere, it is reasonable to expect some failure. But experience elsewhere also shows that seeing such contexts only through the lens of risk, deficit and chronic governance failure will most certainly undermine the prospect of local capability or accountability developing—ultimately undermining the possibility of improved outcomes for Indigenous people. (Moran et al. 2014, p. 47)

Different funding models or instruments can support devolved decision-making and/or provide greater flexibility in resource allocation:

- General revenue assistance (general purpose grants)—local governments receive general revenue assistance payments which provide them with funding for core council services. Indigenous councils also receive State Government Financial Aid (SGFA) funding in lieu of council rates. The grants to Queensland councils and a number of similar Northern Territory councils constitute the only examples in Australia of general-purpose grants to Indigenous organisations (Moran et al. 2014, p. 13).
- ‘Tied’ funding—funding can be provided for specific purposes, or to achieve specific outcomes, for example, National Partnership Agreements.
- Pooled funding—involve attempts to coordinate government spending across portfolios and jurisdictions into a combined or flexible funding pool. Once funds are pooled, the payment mechanism may be in the form of a block grant or some other payment structure.
- Annuity approach—takes the pooled funding model further by also pooling across time (Box 8.4).
- Block funding—where an organisation is funded through a single grant with a single reporting framework to fulfil its core governance functions. Block funding can be provided via an untied general-purpose grant, or it can be provided through a tied specific-purpose grant. General revenue assistance to councils is also a form of block funding.

Flexibility in how resources are used helps organisations better address the complex problems and disadvantage experienced by many in communities:

The ability to have a level of flexibility is imperative in dealing with the myriad of problems experienced because of high levels of disadvantage. The necessity to maintain some tied funding is recognised, but the current processes which require different sources of funding from different state and federal departments, often for the same clients, creates major issues associated with service provision, achievement of best outcomes, administration and accountability. Funding from less “pools” and greater flexibility would produce more effective outcomes. (Woorabinda Aboriginal and Torres Strait Islander Corporation for Social and Emotional Wellbeing and Health sub. 5, p. 3)

[W]hile all recommendations are important, of particular importance is the provision of a funding pool that can be accessed to support the agreed community vision and plan. Retention of siloed programmatic responses led by rigid guidelines will undermine the intent of the reform agenda. If communities are truly to have say over their outcomes, they must have a say as to how money is spent. (QCOSS sub. DR11, p. 2)

Box 8.4 An annuity approach

An annuity approach is essentially a funding agreement over a very long term, which includes an incentive mechanism. It can provide incentives for improved performance and can provide communities with significantly increased flexibility to allocate resources and implement development agendas.

In terms of flexibility, an annuity approach relies on the pooling of funding across services and over time and the establishment of a fund or trust from which a future stream of cash flows (the annuity) is determined. For example, in the hypothetical situation that the net flow of resources to communities was known at a point in time then estimates could be made of the net present value of the stream of flows over time, and this amount could be deposited in a trust fund. Communities would receive funding from the trust according to an agreed stream of cash flows. Any agreement between the Queensland Government and the managers of the trust fund would set out needed governance and accountability arrangements. Performance would be specified based on an outcomes-based approach. Communities or their regional representatives would have significant flexibility in how services were delivered and outcomes achieved.

The incentive mechanism would be that the annuity declines over time towards some target level of per capita funding, say, the average of per capita funding provided to remote non-Indigenous communities. This would provide a strong incentive to achieve real outcomes, thereby reducing the level of 'need' for service delivery, and for service delivery methods to improve over time. The annuity might be set constant for some time to allow adjustments to occur before beginning to decline.

The annuity approach could be applied in specific policy areas rather than across the totality of funding to communities.

Another advantage of the approach is that it provides greater certainty of funding, as the model focuses on a long-term funding profile. It also provides a clear objective or funding 'end-point'.

From a review of international evidence, Moran et al. (2014) identified characteristics that appear to create enabling conditions for improved governance and performance (Table 22), for example:

Public financing of Indigenous organisations has been successful when the organising node is the organisation, rather than the program. Funding can be organised either around the totality of the organisation's functions, or restricted to its core functions. (p. 3)

The funding and governance arrangements for Indigenous councils and the Torres Strait Regional Authority (TSRA) performed well against the identified characteristics. On most characteristics, Indigenous councils and the TSRA were assessed as fully or mostly corresponding.

In the case of the TSRA, and in the context of the institutional reforms discussed in Chapter 7, there is an existing regional coordination body with funding arrangements having the characteristics supportive of improved governance and funding performance. And this regional body could conceivably take on an expanded role.

In the case of councils, funding arrangements are appropriate for the funding of council activities, although there may be issues in the level of funding provided through those arrangements. However, in considering the role of councils in the proposed institutional reforms, there is a broader range of considerations that can impact on service delivery and development (see Chapters 5 and 7).

For community service delivery organisations, funding arrangements should continue to move in a direction that provides greater flexibility to providers and supports pooling of resources (in part, to help overcome the problem of fragmentation). This will enhance opportunities to base funding arrangements, and performance management frameworks, more around the organisation rather than individual programs (similar to council/TSRA funding arrangements). This will likely require greater coordination with the Australian Government.

Table 22 Funding characteristics supportive of improved governance and funding performance

Characteristic	Qld LGAs	TSRA	Characteristic	Qld LGAs	TSRA
Organisation linked to a clearly defined territorial jurisdiction	Fully	Fully	Minimum requirements/standards specified to access the grant	Mostly	Mostly
Organisation linked to clearly defined jurisdiction according to a service delivery mandate	Fully	Fully	Culturally and contextually appropriate governance structures supported	Partially	Mostly
Funding provided in a block form, with acquittal and reporting requirements built around the organisation (rather than the grant or program)	Mostly	Fully	Capabilities supported for organisation to achieve minimum governance and service delivery performance standards	Mostly	Partially
Funding secure for the medium term (3–5 years)	Fully	Fully	Devolution actively risk-managed through ongoing government engagement	Mostly	Partially
Discretion devolved to the local level for budgeting, planning and decision making	Mostly	Fully	Core governance functions explicitly funded	Mostly	Fully
Performance indicators negotiated that are within the reasonable influence of the funded organisation	Partially	Mostly	Funding conditional on downward accountability mechanisms	Partially	Partially
Incentives for improved governance and/or service delivery performance	Mostly	-			

Source: Moran et al. 2014, p. 38.

Contracting reforms

The Australian Productivity Commission has undertaken an inquiry which includes recommendations to improve arrangements for planning, evaluation, contracting and feedback systems for services provided in remote Indigenous communities.²⁴ The key recommendations from the draft report are provided in Box 8.5.

Box 8.5 Commissioning practices for services in remote Indigenous communities

The Australian Productivity Commission is conducting a concurrent inquiry into human services in remote Indigenous communities. Its draft report makes the following recommendations to improve commissioning practices:

- Longer contract terms: increase default contract lengths to 10 years, with some ability to vary contract lengths, and with provisions that provide adequate safeguards to allow governments to remove providers in cases of serious failure. This will allow adequate time for service providers to establish their operations, have a period of stability in service delivery and for handover before the conclusion of the contract (when a new provider is selected).
- Skills transfer: commissioning processes should have a strong focus on the transfer of skills and capacity to people and organisations in communities.
- Provider selection and taking account of the attributes of service providers: selection processes should take account of the attributes of service providers that contribute to achieving the outcomes sought, including culturally appropriate service provision, community engagement and governance, collaboration and coordination with existing service providers and community bodies, and employment and training of local and/or Indigenous staff.

Support was given for:

- Expanding community voice in program design and decision-making.
- Place-based approaches to service delivery. It was noted that many reforms have attempted to put these principles into practice, that place-based approaches can be resource-intensive, and that they require major changes in the way governments traditionally work with limited success. Overall, it was considered that there was scope for greater use of the approach, but that the approach is not practical everywhere.

Source: PC 2017a, pp. 235-6.

Based on our review of the literature and our consultations, this inquiry supports the direction of the Australian Productivity Commission's draft recommendations. The QPC's recommendation on expanding community voice throughout the policy or commissioning cycle, and the support for place-based approaches to service delivery, are important themes for this inquiry report.

²⁴ The final report was received by the government on 27 October 2017, and must be tabled in both houses of parliament within 25 sitting days of receipt (likely late March or April).

The Australian Productivity Commission’s reforms should help address a range of problems discussed in Chapter 5, including:

- reducing the compliance burden and uncertainty that arises from short-term contracting arrangements, combined with the fragmentation of funding sources
- re-balancing tender outcomes towards greater participation in service delivery by community organisations, where this results in improved long-term and broad community outcomes
- supporting better information to design and decision-making processes so that services can be improved over time.

More broadly, the reforms support development objectives playing a large role in the contracting of services:

Underpinning many of these challenges is the sense that the contract management role has in many cases become too narrow. A more development approach may contribute to the success of organisations. (Queensland Family and Child Commission sub. 15, p. 2)

However, application of the reforms is far from simple. In addition to the difficulties and resources required to check what is contracted is actually delivered (e.g. local employment outcomes), weighing-up potential impacts outside simple cost criteria is complex. For example, what is the 'value' of an additional local job and, if the supply bid is a higher financial cost than an alternative, is the additional job worth the cost? Similarly, what is the value of a long-term improvement in capacity of a community organisation? What benefits might accrue outside the community organisation?

If procurement officers are to make these types of complex judgements in awarding contracts for services in remote and discrete communities, then further guidance will need to be given than is contained in existing Queensland Government procurement policy documents, supported by training.

Despite the difficulties in making these assessments, and the risks of introducing such judgement calls into procurement decision making processes, such reforms should be considered given the challenges in communities:

Taking into account the capacity of service providers to achieve outcomes in remote Indigenous communities would increase the quality, responsiveness and efficiency of services. Governments might face higher administrative costs for assessing tender applications, and potentially higher costs of service. However, the potential for better outcomes means that the benefits are likely to exceed the costs. (PC 2017a, p. 255)

8.4 From supply- to demand-oriented models of service delivery

Empowerment and what is meant by ‘consumer’

There is broad support at the community level as well as in recent inquiries for demand-oriented or -driven reforms:

The current funding regime in Indigenous affairs is almost entirely supply-driven. Public funds are centrally directed by Canberra, Darwin and so on, to address the huge array of Indigenous need in a too-often indiscriminate and incoherent way—with very little regard to the views of Indigenous people about their development needs, and no direct feedback loop that results in improved service delivery. It is not a demand-driven system. It is a supply-driven system that shows signs of having been captured by the suppliers. (Empowered Communities 2015, p. 52)

In order to create demand-driven markets, avenues are needed for services to be ‘bought’ by Indigenous people instead of ‘provided’. Indigenous people need to be in the funding food chain as the purchaser or co-purchaser. It is the person who holds the purse strings or the contract who also holds the power over the provider. (p. 66)

Demand-driven reforms include terms such as, ‘consumer’- or ‘user’-based reforms. These terms can have negative connotations in some of the Indigenous literature and dialogue. However, there is, in part, a misunderstanding of what is meant by policy approaches that use these terms, with some of the misunderstanding likely due to poor explanation and application of policies.

Consumer-oriented reforms over previous decades sought to focus attention on the ‘consumer’ as opposed to focusing policy on the ‘producer’. These reforms were in response to longstanding protectionist industry policy that sought to ‘assist’ businesses, often to the detriment of citizens. Reforms put businesses under greater competitive pressure, to provide stronger incentives for businesses to focus on, and respond to, the needs of consumers (that is, Australian citizens who purchase (consume) a good or service).

In market relationships, an unsatisfied customer can choose to spend their money elsewhere. ‘Customers’ can penalise poorly performing businesses by denying them their custom. The ability to ‘deny custom’ puts power in the hand of consumers and penalises businesses who do not perform.

In service provision to communities, the services provided, the qualities of the service, its timeliness and so on, are largely driven by service providers (producers), including governments. An Aboriginal or Torres Strait Islander person (the customer) has little ability to influence the quality of the service.

All consumer, user, or contestability reforms are fundamentally about re-balancing the relationship between service providers (producers) and users of the service (customers). Reforms can include measures to support customers who are potentially vulnerable.²⁵

Compared to demand-driven models, supplier-driven models centralise authority over resource allocation decisions, including what types of services are provided and who gets them. Therefore, supplier-driven models can increase conflicts between groups of people in a community as they vie for influence over who benefits from the limited pie of funding available.

Demand-oriented reforms to funding arrangements can be an important element of empowering Aboriginal and Torres Strait Islanders in their relationships with service providers and governments:

When applied to remote services, notions of empowerment are useful as a way of describing a transition from service delivery that is entirely supply-driven to one in which users of services are active in planning, defining and choosing services. This represents an important repositioning of the service user in a way that is increasingly common not only in international development practice but also in industrialised countries. (Fisher 2011, pp. 10–11)

²⁵ A program example is the National Disability Support Scheme (NDIS) Quality and Safeguarding Framework. Some of the features of the framework include provider registration and quality assurance, a complaint handling system, advocacy services and systems for detecting fraud and verifying that supports have been delivered. There are also existing general support mechanisms, such as, the Public Guardian, the Public Trustee and the Office of the Public Advocate. The Public Guardian acts as substitute decision maker of last resort for adults with impaired decision-making capacity in relation to accommodation, health care, legal (not related to finance or property) and other personal matters. The Public Trustee acts as substitute decision maker for their financial matters. The Public Guardian and the Public Trustee can investigate individual complaints and allegations. The Public Advocate protects and promotes the rights, autonomy and participation of Queenslanders with impaired decision-making capacity through systemic advocacy.

Types of demand driven models

Community engagement as a form of a demand-driven model

One of the benefits of real community engagement is that it can help provide information on the type of services that are valued, the characteristics of those services, and the relative values placed on alternatives. Therefore, community engagement reforms represent one way in which to increase the ability of the demand-side to influence the services supplied.

However, consultation, even done well, is not a replacement for the real shift that occurs through devolving control over expenditure. It is only when people fund and make decisions on how to spend money that real preferences and opportunity costs are tested and revealed. Attempts to better coordinate centralised service delivery are a poor substitute for the coordination that occurs in demand-driven models operating more like normal markets.

User-driven models with funding direct to the individual

One approach to increasing the role of demand in guiding service delivery is to transfer resources directly to individuals living in communities, rather than funding agencies to deliver services.

Several instruments could be used, including:

- Voucher systems—government can provide vouchers to individuals or families for the purchase of specific services. Restrictions can be imposed, such as, the vouchers are only redeemable by organisations that are accredited suppliers. Vouchers are a flexible mechanism that could be used for many different types of services (Box 8.6).
- Individual or family accounts—government can make deposits to individual or family accounts earmarked for specific purposes. An overseas example in the education space is Education Savings Accounts (ESAs). Under ESAs, a family receives a deposit of public funds into government-authorised savings accounts with restricted, but multiple, uses. Those funds—often distributed to families via debit card—can cover private school tuition and fees, online learning programs, private tutoring, community college costs, higher education expenses and other approved customised learning services and materials (edCHOICE n.d.).
- Tax credit and deduction approaches—the tax system can be used to refund all or part of monies spent on specific services. Assuming an individual or family has the financial resources to pay for a service up-front, a credit or deduction can later be received through the personal income tax system.

These types of approaches would help individuals choose services that best fit their needs and better align incentives between those who provide services and those who receive them.

Box 8.6 The role of vouchers

Empowered Communities

In the ideal case, the purchaser should be the consumer in order to lead to more rational decision-making and use of funds. If, for example, this were the case for the construction of new housing in remote areas, more rational decisions would be made about delivery. No one would want to pay \$500,000 or more for the cost of the houses in these locations, yet this is roughly the cost to government and the taxpayer for housing being built under the \$5.5 billion investment in remote Indigenous social housing under the National Partnership Agreement for Remote Indigenous Housing.

In order that the purchaser of services could be the Indigenous consumer more often, the use of a voucher system should be considered wherever possible. These vouchers could be for individuals or households—for example, to replace existing Indigenous Business Australia home loan subsidies. In this way, rather than having to rely on a monopoly government lender to access a subsidised home loan service, Indigenous people could access their home loan subsidy as a voucher, so that it is portable and can be used to help them access finance through mainstream banks (in the same way that the first home owner grant was portable, for example).

This would increase the purchasing power of the Indigenous consumer and remove the monopoly of government as both purchaser and provider of the Indigenous home loan subsidy. It would also establish mainstream banks in the position of lender; these banks will provide a reality check about the scope for private sector lending on leases on Aboriginal land and the new or additional policy responses that may be needed to ensure that titles are transferable.

The Forrest Review

The Forrest Review recommended that, in order to create job-specific employer-directed training, the Australian, state and territory governments, as joint regulators and funders, introduce vouchers for employers redeemable at education providers to replace all funding for the vocational education and training system, particularly the TAFE system.

Vouchers were seen as a mechanism that could be used to address the problem that the VET system is a supplier-driven system and is not providing the training needed to assist Indigenous people into real jobs. The proposal was to have a voucher-based system in which the funding is tied to the individual Indigenous person based on need, and in which the voucher can only be redeemed by the training provider once the employer has referred the job seeker to them.

Vouchers could assist with achieving a contestable VET funding model:

The LGAQ fully supports an industry driven, fully contestable model of VET funding and delivery that is directly and demonstrably tied to job outcomes. (LGAQ sub. DR012, p. 15)

Sources: *Empowered Communities 2015, p. 66; Forrest 2014, p. 161.*

However, the principal limitation on this approach is the small scale of communities, which means that there is often limited scope for alternative suppliers to be financially viable when operating within the same product market for a good or service. Putting money in the hands of people gives power when there is choice. But, if there is only one viable supplier in the community, then there is no choice.

That said, while there may be only one viable supplier of a service in town, a community resident can choose to spend the money on an alternative good or service (if the funding arrangement permits such choice). So, local residents are able to exercise a degree of discipline even on a monopoly supplier when they have the financial resources to reject the service and deny funding to the supplier (at least in the case of non-critical services).

Further, the perception that there is limited scope in the practical application of user-driven demand models in smaller discrete communities is not necessarily accurate. Market responses and innovativeness (that is, the actions of individuals motivated to voluntarily solve problems and achieve change) cannot be predicted. This means that how things might be done differently when power is devolved cannot be determined by a centralised authority.

Where there is limited choice in a community, putting money in the hands of people receiving services may still result in benefits in terms of supporting their ability to develop the capacity to responsibly manage funds; and providing greater funding transparency, particularly in that individuals gain a greater awareness of the level of funding required to provide services. Under supplier-driven service models, people may see service as a ‘free good’, even though they are costly to governments and taxpayers to provide.

Local councils and/or community organisations as an intermediary

As an alternative to providing financial resources directly to individuals, funds can be directed to representative community organisations which then act as a purchaser on behalf of a group of residents demanding a service. Where there is only one viable supplier, the aggregation of funding gives some degree of purchasing power to residents (there is a re-balancing of power towards those whom the service is intended to serve).

8.5 Aligning incentives and rewarding progress

Accountability, transparency and performance monitoring

There is significant interest in communities in improving the accountability of governments and service providers to communities. Government themselves also share this interest. However, there is little evidence of any improvements in downward accountability to communities:

Reforms introduced since the late 1990s and entrenched by successive governments have failed one critical test. Public finance management arrangements should enable, rather than limit, the domain of substantive political representation and the accountability of territorial authorities to the constituents in their jurisdiction. Vertical accountability upwards to the source of funds is important, but this should not come at the cost of primary accountability, downwards to constituents. Public finance systems need to foster accountabilities between Indigenous political leaders and their organisations responsible for delivering services, and likewise, promote relationships between Indigenous organisations and Indigenous citizens based on agreements about rights, obligations and responsibilities of both parties. (Moran et al. 2014, p. 42).

Increasing transparency in funding and the outcomes achieved can help communities apply pressure for services to be improved:

Whilst service providers may have to acquit their funding to relevant government agencies, there appears to be little or no requirement for them to report program progress or outcomes to the council or community in which they are operating. Without any formal reporting requirements specified within Service Provider contracts, communities have no way of knowing what they are contracted to deliver or the effectiveness of the service provided. Accordingly there is a disconnect between what the service provider reports to government and what the community perceives on the ground. (Local Government Association of Queensland sub. 14, p. 5)

Likewise, increased upward accountability to governments can help governments achieve better outcomes from their commissioning of services.

Some of the requirements for improved accountability and transparency, include:

- basic data on service provision and the level of expenditures made publicly available
- community involvement through the policy cycle, including in performance management
- improved performance management systems, which in many cases means actual or better implementation of the intention of existing policies (Box 8.7).

Box 8.7 The need for improved performance management reporting

In Queensland, public sector entities must comply with the requirements for monitoring and reporting non-financial performance information set down in legislation and in the Queensland Performance Management Framework (PMF).

The Queensland Audit Office (QAO) 2014 undertook a review of the monitoring and reporting performance of agencies, including reporting on effectiveness and efficiency as part of agency accountability obligations.

The QAO found that reforms to agency Service Delivery Statements (SDS) had yet to deliver on their promise to support accountability and inform policy development and implementation. The service standards reported by the majority of departments and service areas fell well short of being direct measures of the efficiency or the effectiveness of the services they deliver.

Two common missing elements—management commitment and externally imposed reporting imperatives—established a clear dichotomy between the better practice departments and those lagging in this area. The QAO recommended departments publish audited performance statements in their annual reports to complement their audited financial statements.

Source: QAO 2014.

Rewards-based service delivery models

There is broad community acknowledgement of the need for funding to be more closely linked to performance. Communities want mechanisms that support improved accountability:

[A]s government-funded service providers exist on the public purse, so like the rest of us they must be prepared to be paid on results. Certainly the practice of simply funding process, without putting payment at risk and rewarding results, must stop. Publishing outcomes for public benefit is therefore essential. (Forrest 2014, p. 10)

Rewards-based models can better align the incentives facing suppliers with the needs of those receiving services, and with the needs of funders to ensure value for money in purchasing services.

The Queensland Government is undertaking several service delivery pilots that attempt to more clearly link financial rewards with outcomes for the provision of a service. For example, Queensland Treasury has coordinated the introduction of Social Benefit Bonds (SBBs) in Queensland.

An SBB is an outcomes-based arrangement involving the government, private investors, potentially a financial intermediary, and a service provider. While an SBB can take many forms, there must be an intentional, pre-determined social impact as an outcome of the investment. An SBB involves:

- private investors providing the initial capital to cover the cost of delivering a service (or an intervention) by a service provider to improve or deliver a defined social outcome

- service provision or intervention that is aimed at early intervention or prevention to avoid or limit the severity of the social issue for the people in the target population
- the government paying private investors their principal investment and a financial return if the agreed social outcome has been achieved and verified, at the end of the contracted period (which can be 5 to 10 years) (Queensland Treasury 2015, p. 1).

SBBs can increase investment in early intervention and prevention, which, if effective, can reduce future demand for acute and crisis services and free up public funds for other priorities. SBBs have the potential to support innovations in service delivery by being focused on results, not on prescribing a specific service—enabling service providers and investors to be flexible in designing new services or interventions.

Three SBBs have been awarded and are being used as pilots in Queensland (Box 8.8), with the NEWPIN pilot having a focus on Indigenous families. The NEWPIN pilot will be located in Cairns, with two other locations to be determined. Some features of the Queensland NEWPIN pilot include:

- Approximately 200 parents with 560 eligible children will be referred to the program over five years. Most participating families will be Aboriginal families.
- An estimated 230 children will be reunified with their parent(s) based on a reunification rate of 41.5 per cent.
- An estimated 140 incremental reunifications will occur above the counterfactual reunification rate of 16.5 per cent.
- Collectively, it is estimated that over 1,000 years of out-of-home care (OOHC) will be avoided.
- State savings (financial) generated from reductions in OOHC are estimated at \$58 million.
- Further benefits will be flowing from positive outcomes for participating parents and children.
- \$26.5 million will be paid to UnitingCare Queensland under the terms of the Implementation Agreement.

Box 8.8 Queensland Social Benefit Bonds pilots

In 2017, the Queensland Government launched three social benefit bonds.

NEWPIN

The NEWPIN (New Parent Infant Network) program reunifies children living in out of home care with their families. It is hoped that around two-and-a-half times more children will be reunited with their families than would occur in the absence of the NEWPIN program. The program will be run by UnitingCare Queensland (UCQ) in three regions.

The NEWPIN program is based on the model that underpins the NSW NEWPIN SBB, and will focus on working primarily with Aboriginal and Torres Strait Islander families. It is an 18-month centre-based program that has been designed to strengthen family engagement, and has an established track record in successfully ensuring that more children can live safely with their families.

Payments will be made to UCQ by the Queensland Government based on the incremental number of children successfully reunited with their families. The level of these payments will be reflected in the investment returns generated by the Qld NEWPIN SBB.

Reducing reoffending rates for young Queenslanders

An Implementation Agreement was signed on 31 May 2017 by the Queensland Government and service provider, Life Without Barriers, for Queensland's second SBB pilot. Up to 550 young people, 10–16 years old, who have been determined to have 'moderate, high or very high' risk of reoffending, will be referred to the program by Youth Justice over five years. This Multi-Systemic-Therapy program will work with the family unit to deliver improved family functioning and parenting skills, higher rates of school participation and reduced substance abuse. The service is also based on the premise that early intervention can reduce both severity and duration of future offending behaviour. The service commenced in October 2017 in two locations—covering an area in South East Queensland that stretches from the Sunshine Coast in the north, to the Gold Coast in the south.

Young people at risk of homelessness

The YouthCONNECT program, to be run by Churches of Christ in Queensland, is the Queensland Government's third SBB pilot. It is intended to support young people aged 15 to 25 who are exiting or have exited statutory care and are homeless or are at risk of homelessness. The program supports the development of better coping skills to improve life outcomes and sustain long-term health and wellbeing into adulthood, building resilience and ultimately reducing the risk of future homelessness. Two services will be operating in Queensland by late 2017, one in south east Queensland and the other in Townsville.

Sources: Queensland Treasury 2015; Social Ventures Australia 2017.

There are a range of potential benefits of SBBs (Table 23), including that they can support the delivery of wrap-around services that would normally require significant coordination across agencies.

Table 23 Potential benefits of Social Investment (Benefit) Bonds

Potential benefit	Description
Crowd in private funding	SBBs crowd in funding from the same private investors that typically contribute to social services through grants, and/or impact bonds bring in new and different types of investors, which adds to the total amount of private funding for social services.
Prioritise prevention	SBBs tend to focus on funding preventive services, rather the traditional remedial interventions. Preventive services reduce or eliminate negative social outcomes and potentially high remediation costs for both the public and private sectors in the longer term.
Reduce risk for government	Since governments pay for services only when outcomes are achieved, they can avoid several types of risk including budget management risk, or paying for services without getting the outcomes they hope to achieve, risks associated with innovative approaches that have not been tested, as well as risks associated with taking promising pilot or small-scale programs to scale. Governments are typically reluctant to take these risks, which can limit innovation in services. By shifting the risk to the investor and paying only when outcomes are attained, public funds can become instruments for innovative solutions without the risk.
Shift focus to outcomes	SBBs encourage stakeholders to focus on the achieving social outcomes by paying for success. This differs from the bulk of social service financing and provision, which often does not consider how effective programs are in delivering outcomes.
Foster innovation in delivery	SBBs can facilitate the introduction of new ways to provide services from the start of an intervention, support a better ability to innovate and adapt along the way, and better apply innovations from elsewhere (help diffuse new ways of providing services).
Drive performance management	SBBs might drive improved performance management, which in turn leads to the achievement of outcomes. SBBs bring in private sector expertise in performance management and release non-profits from the hold of rigid government contracts.
Stimulate collaboration	SBBs might stimulate collaboration across stakeholders through fostering cooperation across different types of players in the public and private spheres, and/or through breaking down silos and bringing together players from across government agencies.
Sustain impact	SBBs might better produce sustained impacts through: providing for multiyear contracting, which differs from the typical short-term contracting used by agencies, allowing for more continuous and reliable services; providing a demonstration effect of the benefits of preventive services which can foster longer-term government commitment to a social challenge; and supporting a major shift in how governments view performance management, achievement of outcomes, and monitoring and evaluation systems.

Source: Gustafsson-Wright et al. 2015.

However, while SBBs may have the potential for these benefits, they may not be achieved in practice. Some criticisms of SBBs include:

- SBBs involve complex contractual arrangements and multiple stakeholders. The real transfer of risk can be unclear (see Disley et al. 2011; The Economist 2012).
- SBBs involve high administrative and compliance costs for all parties involved (Gustafsson-Wright et al. 2015).

Hudson (sub. 21, p. 4) noted that '[s]ocial impact investing may not be appropriate for all programs and there is recent evidence which suggests that it can involve increased transaction costs without any appreciable benefits in terms of improved outcomes' (based on Edmiston and Nicholls 2017).

Given the complexity of arrangements and other advantages external NGOs tend to have in tender processes, it is likely that external NGOs will dominate competitive tender outcomes for the provision of an SBB service mainly servicing Indigenous people. However, as the market for SBBs grows in Australia, this may not be the case. SBBs could also be used under a more devolved funding framework.

As SBBs are still relatively new, the evidence on whether or not they are a useful policy tool is accumulating. A supporting study to the recent *Remote Housing Review* investigated the scope for applying social investment approaches in the remote social housing space. The Review concluded that:

... impact investment financing is indeed worth developing in the social housing area, but that much greater prospects exist in regional or urban social housing, where there are more aspects of potential market returns present. (DPMC, pp. 73–74)

If the Queensland Government's pilots are successful, SBB funding could be scaled up and applied more broadly.

8.6 Support for 'holistic' service delivery

Coordinated services

Coordinated services can reduce complexity and enhance service quality (Flaxman et al. 2009). By facilitating referrals and cooperation between services, coordination can 'improve the connections between services or between people and services to improve outcomes for individuals, families, communities and societies' (Leigh 2008). Coordination might take place at the personal, organisation, community or regional level—for example, integrated, case-managed and place-based services.

Case-managed and integrated services

Integrated service delivery involves service agencies working together to collaborate and coordinate their support, services and interventions to clients. They generally focus on clients, or client target groups, who have complex needs requiring services from several agencies. At the personal or organisation level, services can be integrated in a case-managed or holistic response. Linkage of Indigenous individuals and families with services and providers can be assisted by involving Indigenous staff, who often have the advantage of pre-existing contacts, local knowledge and established, trusting relationships (Bainbridge et al. 2015; Chaney 2012).

Child and Family Centres are an example of integrated early childhood, parenting and family support, and child and maternal health services for Aboriginal and/or Torres Strait Islander children and their families. Strait Start provides integrated early childhood services in remote areas of the Torres Strait (Box 8.9).

Strait Start is further discussed in Chapter 15.

Box 8.9 Strait Start

Strait Start is:

- a locally developed early childhood education program for children from birth to pre-pep
- delivered in communities by trained community members.

It supports development of children's motor and cognitive skills, language and literacy, general knowledge, social and emotional development, independence and self-efficacy.

Much of the reduction in the number of developmentally vulnerable children in the Torres Strait has been attributed to the Strait Start program. The program has strengthened community support structures and helped build the confidence of adults in their role as parents.

Source: TSIREC sub 8, pp. 19–24.

Wraparound services and case management are examples of integrated services. Wraparound services work to address multiple factors through collaboration with family members, other natural supports and service providers to develop, implement and evaluate an individualised plan of care. The Cape York Wellbeing Centres are an example of wraparound services that address issues such as drug and alcohol misuse, gambling, family violence and mental health and wellbeing. Case-management approaches can bring together family, community and integrated services to provide preventive support to offenders (Box 8.10).

Box 8.10 Prisoner Throughcare services

Prisoner Throughcare services:

- are delivered by the Aboriginal and Torres Strait Islander Legal Service, a community-based organisation established to provide professional and culturally competent legal services
- aim to reduce recidivism and incarceration rates by supporting prisoners (pre- and post-release) through the delivery of intensive case management (throughcare) services
- target clients who are considered at high risk of reoffending, and work in collaboration with stakeholders including family and community members.

Throughcare data and client satisfaction surveys indicate a responsive, effective program.

Sources: Consultation session notes; ATSILS n.d..

Place-based development approaches

Place-based service delivery models revolve around each community, and can cut across boundaries of jurisdictions, departments or programs. They involve cross-sectoral participation in the design of community services, tailored to the local situation and realities on the ground (Chaney 2012; QCOSS 2013). An effective place-based approach gives greater priority to community-led-and-owned needs assessment and planning, decision-making and accountability.

A place-based focus emphasises what is needed within a community, and can build a community's capacity to identify and develop responses to issues. QCOSS highlighted that:

Recognising and harnessing existing community capacity and leadership, and properly resourcing and supporting remote and discrete Aboriginal and Torres Strait Islander communities in planning, designing, delivering and evaluating service delivery is integral to developing a service system shaped by, and oriented towards, the aspirations and needs of local communities. (sub. 18, p. 2)

Place-based approaches (involving flexible funding arrangements under longer-term agreements) can help address impediments to change:

... the current system of funding and programs has created powerful vested interests, and there will be very real consequences in terms of job losses [flowing] from such decisions. So even if things are clearly not working well, people tend not to want to let a program go. There are incentives embedded in the current system that work against the changes that are needed being enacted. At the community level too, people will generally not want to let a program go unless they can be assured that the funding will stay, and can be spent in their community in another way. This is why a place-based approach is needed that provides funding certainty at the existing level over the long term. (CYI, sub. 26, p. 11)

Place-based approaches supported by pooled resourcing can help address some of the complex development problems facing communities:

There are a number of ways in which Australian governments could promote commercial fishing by Indigenous Australians. Any policy initiative to do so through the reallocation or setting aside of fisheries resources will, however, be at the cost of access by other fishers. More fundamentally, experience in Australia has demonstrated that policy initiatives aimed at creating development and employment opportunities for Indigenous communities often fail because they do not incorporate the broader prerequisites for success. These include closely involving the community in designing and implementing initiatives, as well as investing in education, training and broader capacity-building. In other words, access to a fishery is only likely to generate positive and sustainable economic benefits and employment for an Indigenous community (presuming that this is indeed the best way of encouraging economic development) if it is part of a broader, multifaceted strategy in which the community is actively involved. (PC 2016c, pp. 183-4)

High levels of coordination are needed across levels of government and policy areas if the unemployment problem is to be seriously addressed. Place-based approaches can achieve a higher level of policy coordination/integration across the income support and service delivery system. This can both help address participation incentive problems and better link people with the help needed for participation.

Palm Island Community Company (PICC) was established as a partnership between the Queensland Government, the Palm Island Council and the local community (Box 8.11).

Box 8.11 Palm Island Community Company (PICC)

Background

PICC was formed in 2008, in response to concerns about a crisis in governance and service delivery in Palm Island. The company model created a partnership between the state, the council and the community, while balancing requirements of accountability, flexibility and independence.

PICC delivers community-driven programs aimed at supporting and strengthening the social, cultural and economic fabric of the Palm Island community. PICC programs include family support hub, disability services, Community Justice Group, Safe Haven services, PICC Safe House, Children and Family Centre, Diversion services, and Women's services.

PICC also operates retail shopping businesses including a bakery, mechanic and community retail shop. PICC employs around 92 local Aboriginal and Torres Strait Islander people (85 per cent PICC workforce).

Review of progress

A review in 2011 concluded that PICC had established a solid foundation for sustainable improvements in the delivery of services on Palm Island. Core features underpinning the success of the PICC are:

- a formalised partnership between government, the local Council and the community
- an independent board of directors able to provide good governance, strategic direction, financial stewardship, mentoring and capacity building
- a professional management structure able to provide guidance, mentoring and intensive capacity-building to local service coordinators and staff
- a service delivery model that coordinates related services for families, women and young people.

Source: Limerick 2011.

The PICC model has some features that make it an attractive model for delivering services in discrete communities. However, a key challenge is balancing community ownership with the bringing in of outside expertise:

the single most critical challenge for implementing a PICC-like organisation is how to maintain and build a sense of community ownership of the organisation at the same time as bringing in the outside expertise (in the form of board members and managers) that will assist with good governance, strategic direction, mentoring and capacity-building in the community. (Limerick 2011, p. 8)

Concerns with this type of model include the scope of PICC operations, making the company in many ways a large monopoly service provider. For some of the services it provides, there is an alternative service provider, but compared to a model in which a range of independent community organisations provide services, the model significantly concentrates power in the community. This is reinforced by the concentration of power in council hands—in all discrete communities—and the absence of significant private sector activity. Consultations also raised concerns about the scope of PICC activities expanding to commercial enterprises (the bakery and auto-mechanics).

Previous attempts in Australia to roll out models that have been successful in one community to other communities have often been unsuccessful. Therefore, any process of changing the model of service delivery in other communities would need to closely involve those communities, as they will be best placed to know what aspects of PICC could work and what aspects might not.

Extending the ACCHO model to other policy areas?

The Aboriginal community-controlled services sector has grown since the 1970s. Now, many community-controlled organisations deliver services for their communities in areas such as health, housing, community and welfare services. Aboriginal Community Controlled Health Organisations (ACCHOs) exemplify a successful community controlled model. With commensurate and secure funding arrangements, ACCHOs are an effective model for governments to rethink the way they work with Indigenous communities.

8.7 Building capabilities and ongoing support

The reforms discussed in this chapter are intended to empower individuals, so that they can transform their future. Achieving the reforms will require that communities and government agencies are supported so that they can effectively participate in designing and delivering the transformation.

Experience overseas emphasises the importance of investing in Indigenous governance capacity (Bauman et al. 2015; Tsey et al. 2012). Ongoing government support—including human, financial and physical resources—has also been highlighted as a precondition for success by the Steering Committee for the Review of Government Service Provision (SCRGSP 2016a).

Governance capabilities and other skills that need to be further developed include:

- leadership and management skills
- general governance and administration skills
- project management
- managing for performance
- literacy and numeracy.

Critically, the need to build capabilities also applies to the public sector. One aspect of capabilities is cultural capability. Cultural capability of the government sector is essential to engage effectively with communities to ensure their perspectives and needs are reflected in policy, service delivery, and in the workplace. For example:

[A]gencies need to be culturally capable to successfully partner with other governments and non-government organisations in service delivery and partner with the community for better outcomes ... means increasing cultural leadership, capacity building and cultural capability of how services are delivered. (Queensland Government sub. 27, p. 16)

Importantly, capability building in government and the public sector extends beyond culture awareness. It includes the capacity to think differently about problems and the role of government, such as, the willingness to take an enabling approach. It includes funding arrangements and the development of institutions that maintain legitimacy with communities, and builds on local strengths:

Recognising and harnessing existing community capacity and leadership, and properly resourcing and supporting remote and discrete Aboriginal and Torres Strait Islander communities in planning, designing, delivering and evaluating service delivery is integral to developing a service system shaped by, and oriented towards, the aspirations and needs of local communities. (QCOSS sub. 18, p. 5)

Behavioural and institutional change must be a key focus for all involved parties. Investing in agencies staff to understand their revised role – rather than just another 'change' but the same behaviour/attitudes – must for a part of this to be successful. (Joint YASC & YLF sub. DR14, p. 14)

8.8 Conclusion

The recommended directions for policy reform support the empowering of Aboriginal and Torres Strait Islander peoples by giving them a greater voice in the services delivered in their communities. They redefine the role of government to more of an enabling role.

The reforms promote greater transparency, accountability and alignment of incentives as a means of achieving improvements in service delivery outcomes. They support increased use of performance-based and place-based instruments and approaches where these are viable options.

These reforms could reduce the prevalence of problems that require intensive services in the longer term. The reforms should improve the effectiveness and efficiency of service delivery for those services that will continue to be required. Therefore, governments should achieve better value for money and communities should see outcomes more in line with their expectations.

The reforms are consistent with the thrust of reforms in the following chapter on economic development. They support both capability building at a local level and an incentive framework more aligned to community development needs.

The recommendations provide a focus around which bipartisan support can be built. Given the chopping and changing nature of Indigenous policy reforms, it is important that efforts are put into building a consensus around the reforms before agreeing and implementing changes.

Recommendation 4

The Queensland Government should implement policy, funding and service models that support longer-term developmental objectives and are responsive to the needs of Indigenous people, including:

- service models where individuals retain control and responsibility, for example, demand-driven models and user choice
- community-controlled service delivery
- funding reforms that provide flexibility and autonomy, such as pooled funding, untied grants, block funding and extended contract lengths, with a risk-based approach to compliance and reporting obligations
- performance- or rewards-based funding models
- place-based and case management initiatives that cut across service delivery areas
- approaches that support and enable the governance capacities of Indigenous organisations and individuals.

These instruments will apply to a wide range of service delivery, but need to be used where they are most likely to be effective.

Recommendation 5

Where the Queensland Government contracts for service delivery, it should incorporate longer contract terms and requirements for skills transfer to communities; and evaluate bidding organisations' ability to support capability building in communities and the outcomes sought.

Recommendation 6

The Queensland Government should continue to shift from a provider role to a funding and purchaser role. Agencies should increasingly seek to involve communities in purchasing as an active participant.
