

Part 6: System supporting capacities

**Chapter 17:**

Community sector capacity

## Chapter 17: Community sector capacity

### Key points

- Community service organisations have long played and continue to play a critical role in responding to and providing services to vulnerable families and children.
- Reflecting the changes over time in Victoria's approach to vulnerable children and families, the Government provides funding and is dependent on community service organisations to deliver critical services and interventions. In particular, community service organisations play the major role in providing out-of-home care and family services.
- Over time, government funding to community service organisations has increased significantly and represents the dominant source of funding for many community service organisations. The current pattern of Department of Human Services funding indicates a small number of community service organisations receive a significant proportion of the funding for family services and placement and support services, while a large number of community service organisations receive relatively small amounts of funding.
- The Inquiry considers that the structure and capacity of community service organisations needs to be strengthened if Victoria's approach to vulnerable children and families is to be improved and the broad strategic directions outlined in this Report are to be effectively implemented.
- The Inquiry also considers that the Government should adopt an updated and clearer framework for its relationship with the community sector in line with its policy leadership and accountability role.

## 17.1 Introduction

Community service organisations (CSOs) in Victoria have a long history in providing assistance and support to families and children in need. Indeed, the involvement of CSOs protecting and supporting vulnerable children and young people pre-dates that of government. Although major changes have occurred since the 1970s in Victoria's approach to protecting vulnerable children, as outlined in Chapter 3, CSOs continue to have a pivotal role in protecting and supporting Victoria's vulnerable children and families.

In Victoria, more than 200 organisations, the majority of which are CSOs, are currently funded by the Department of Human Services (DHS) to provide a range of child, youth and families services including:

- Family and community services such as community-based child and family services (family services), placement prevention and reunification and family violence services; and
- Specialist support and placement services such as home based care, residential care and leaving care support services.

These organisations include some 22 Aboriginal community controlled organisations who are funded to provide family and community and specialist support and placement services to Aboriginal families, children and young people.

As outlined in Chapters 4 and 8, there has been a significant expansion in the funding provided to CSOs in recent years, arising from the establishment of Child FIRST and family services, the continued increase in the number of children and young people in out-of-home care and a range of early intervention, specialist support and leaving care initiatives.

This chapter considers, in turn, the broader context and roles of CSOs including: recent trends in the relationships with and perspectives of governments; key dimensions of the broad funding arrangements and the government funding of CSOs providing relevant child protection and family services in Victoria; the capacity and performance of CSOs including issues raised in submissions to the Inquiry and at Public Sitings; and the major conclusions and recommendations of the Inquiry on the roles and capacity of CSOs and the nature of the relationship between CSOs and government.

A number of aspects of the Inquiry's Terms of Reference are relevant to the consideration of the capacity of CSOs. In particular, the Terms of Reference require the Inquiry to consider ways to strengthen the capabilities of organisations involved in services and interventions targeted at children and families at risk. The Inquiry is also tasked with considering the more general issue of the appropriate roles and responsibilities of government and non-government organisations in relation to Victoria's child protection policy and systems.

## 17.2 An overview of community service organisations in Victoria

CSOs form part of the broader not-for-profit (NFP) sector in Victoria and Australia. As outlined in the Productivity Commission's 2010 *Contribution of the Not-for-Profit Sector* report, the NFP sector is made up of a diverse range of entities established for a wide range of purposes.

NFPs deliver services to their members, to their clients or to the community more broadly, such as welfare, education, sports, arts, worship, culture and emergency services. Some NFPs build or maintain community endowments such as biodiversity, cultural heritage and artistic creations. Some engage in education, advocacy and political activities, while for others the focus is on activities that create fellowship (Productivity Commission 2010, p. xxv).

Compared with the NFP sector generally, CSOs in the human services sector are distinct in that they rely heavily on governments as their main source of funding. In turn, governments in Australia rely heavily on CSOs to deliver many human services in the aged care, disability, and child, youth and family support areas. For its 2010 report, the Productivity Commission conducted a survey of Commonwealth, state and territory government agencies with significant engagement with the NFP sector in the delivery of human services. The main findings were:

The survey response confirmed the perception that high shares of many human services funded by government agencies are delivered by external agencies:

- For all but two categories of human services (health and emergency), about half of the government agencies reported that at least 50 per cent of their services (by value) were delivered by external organisations;
- NFP organisations are major providers in most human services areas. Of the services delivered by external organisations, almost half the government agencies reported that over 75 per cent of their program value is delivered by NFPs. Indeed, for 66 per cent of programs NFPs were the only non-government providers; and

- The most commonly cited reasons for this heavy reliance on NFPs were that they: provide flexibility in service delivery; are better able to package their services with other services for the target group; give value for money; and are representative of the clients the program is targeting (Productivity Commission 2010, Appendix D, p. D.1).

In Victoria, CSOs – more so than in many other states – are often the only providers of children's and family services in a number of key areas such as placement and support services and family support services. As outlined in Chapter 3, the current role of the community sector as provider of, largely government funded, child protection and family services stands in sharp contrast to their initial beginnings.

Berry Street, one of three largest providers of placement support and family services, indicate:

Established in 1877 as the Victorian Infant Asylum, Berry Street's core activity has always been protecting children in need, and strengthening families, so they can provide better care for their children ...

... In the early days, our greatest challenges were high infant mortality and poverty. Our primary roles were supporting unwed or rejected mothers and their babies and finding new homes for babies and children who were abandoned (Berry Street 2010 p. 1).

Another significant service provider, MacKillop Family Services, indicates similar beginnings but also highlights the major changes it has seen over time in service orientation and overall governance:

Over 150 years ago the Sisters of Mercy, the Christian Brothers and the Sisters of St Joseph commenced their work in Victoria and established homes for children who were orphaned, destitute or neglected and for mothers who were in need of care and support. Throughout the years, the original model of institutional care evolved into different support services. In 1997, MacKillop was formed as a re-forming of the earlier works providing a range of integrated services to children, young people and their families (MacKillop Family Services 2011).

Anglicare Victoria, formed in 1977, represents another major service provider established following the consolidation of several long standing child and family welfare agencies. The agency was formed by joining together three agencies – the Mission to St James and St John, St John's Homes for Boys and Girls and the Mission to the Streets and Lanes – that had a combined history of over 260 years in providing care and support to Victorian families and children.

These histories underscore the essential core feature of CSOs, namely their long established missions to focus on and assist disadvantaged groups. Berry Street describes their mission and values in the following terms:

Today, our greatest challenges are: to help children and young people recover from the devastating impact of abuse, neglect and violence; to help women keep themselves and their children safe from violence; and to help struggling mothers and fathers to be the parents they want to be; and to contribute to, and advocate for, a fairer and more inclusive community.

Berry Street's five core values are Courage, Integrity, Respect, Accountability and Working Together. These values guide everything we do and require us:

- To never give up, maintain hope and advocate for a 'fair go': Courage
- To be true to our word; Integrity
- To acknowledge each person's culture, traditions, identity, rights, needs and aspirations: Respect
- To constantly look at how we can improve, using knowledge and experience of what works, and ensure that all our resources and assets are used in the best possible way: Accountability
- To work with our clients, each other and our colleagues to share knowledge, ideas, resources and skills: Working Together (Berry Street 2010 pp. 1, 2).

While the historical circumstances, scope and focus of CSOs and their size all vary, the overall mission of assisting the disadvantaged – regardless of the associated circumstances – and their non-profit nature are a common thread. In doing so, many CSOs access a range of funding and in-kind resources including volunteer workers.

Arising from the significant changes in the approach to child protection and support in the 1980s, particularly the move away from large state-run institutions and the growing involvement of governments in a broader range of social issues, Victorian governments have increasingly relied on and funded CSOs to deliver child, family and youth services. The growth in government funding of CSOs has reflected three factors:

- The outsourcing of services previously provided by government, particularly residential care;
- Increased funding of services already provided by CSOs, such as family support services; and
- The funding of new services in response to emerging trends and needs, such as, the provision of therapeutic care as part of placement and support services.

These trends in funding and service delivery arrangements have, in turn, led to a growing focus on the nature of the relationship between government and CSOs. In particular, explicit performance requirements, funding arrangements and detailed capability and accountability standards have been developed covering CSOs. An outcome of this focus has been the move from government funding of CSOs on a grants basis to the now widely adopted performance-based service agreement or contract basis covering a defined period.

The move to service agreements in the 1990s, and the associated debates regarding purchaser/provider and competitive tendering, has generated periodic concerns by CSOs about the alignment between their mission and values and being the delivery vehicle for government funded and specified services.

From their perspective, governments have recognised that dependence on CSOs as the major deliverers of human services, combined with the inherent nature of many of these organisations, requires a broader and longer term strengthening of both the relationship and the sector overall.

For example, at the departmental level in Victoria, DHS has an explicit commitment to partnership and collaboration with the community services sector. Under the banner of 'How we work with funded organisations', DHS describes the present approach as follows:

The Department of Human Services is committed to working in partnership with our funded organisations to deliver high-quality community and housing services that are in line with the government's vision for making Victoria a stronger, more caring and innovative state.

This is achieved by working cooperatively with funded organisations to sustain, strengthen and build working relationships that enable them to provide services that accommodate and value diversity, address the particular needs of vulnerable and marginalised people, recognise regional and rural differences and contribute to demonstrable high-quality outcomes in accordance with agreed standards.

To support working cooperatively a number of protocols have been developed that reaffirm the ongoing commitment to shared vision and a strengthened relationship between the department and the sector. These protocols acknowledge that the best service outcomes are the product of collaboration, inclusive planning, efficient public policy and clear service funding agreements:

- Human Services Partnership Implementation Committee (HSPIC); Memorandum of Understanding 2009 to 2012 between the

independent health, housing and community sector and the Department of Human Services;

- Partnership Protocol between the Department of Human Services, Department of Health and the Municipal Association of Victoria 2010; and
- Collaboration and Consultation Protocol (HSPIC 2004).

The HSPIC, a joint committee of peak bodies and DHS established in 2004, is the governance structure that supports the implementation of a memorandum of understanding. An annual work plan is developed to guide the activities of the committee that, to date, have focused on reviewing and improving relevant business processes and providing a point of contact for discussions/negotiations on sector-wide funding issues, and hosting partnering dialogues to look at sector-wide issues and share learning.

The role and activities of the committee was not the subject of significant comment by the CSOs or representative organisations during the Inquiry process other than reference by Berry Street in their public submission to the role of the committee in the recent review of the pricing of family support services (Berry Street submission, p. 40).

In 2008 the Victorian Government, as part *The Victorian Government's Action Plan: Strengthening Community Organisations*, established the Office for the Community Sector to support the Victorian NFP sector to be sustainable into the future (Victorian Government 2008a). The office, which is located in the Department of Planning and Community Development, has two stated responsibilities: driving cross-government activity that reduces unnecessary burden related to government accountability and compliance requirements; and supporting the sector to build their capacity to continue to be responsive to the needs of Victorians. The office has focused on the following range of practical and supportive activities for the broader NFP sector:

- A common funding agreement to be used by all departments when funding NFPs;
- Developing a Victorian Standard Chart of Accounts to make accounting terms and definitions uniform throughout state government and agencies;
- Providing free publications and tools such as a workforce capability framework to help NFPs recruit, manage and develop their workforce;
- Assisting Victorian community foundations to enhance their profile, stimulate local fundraising and increase their grant-making capacity; and
- Funding, resources and training to enable community organisations to establish relationships with philanthropists and improve their fundraising effectiveness.

The focus on reducing and improving regulatory arrangements is also a priority of the Office for the Not-for-Profit Sector established by the Australian Government in October 2010. A key action in this regard has been the announcement of a national regulator for the NFP sector entitled the Australian Charities and Not-for-Profits Commission. The commission will commence operations from 1 July 2012 and will be responsible for determining the legal status of groups seeking charitable, public benevolent institution, and other NFP benefits on behalf of all Commonwealth agencies.

The Office for the Not-for-Profit Sector is also responsible for overseeing the National Compact between the Australian Government and the NFP sector. Launched in March 2010, the National Compact *Working Together* is a high-level agreement setting out how the Australian Government and the sector aim to work together in new and better ways to improve the lives of Australians (NSW Government 2010).

These developments, at the state and national levels, reflect the growing recognition dating back to the mid-1990s that the NFP sector and CSOs perform significant social, economic and community roles. This chapter is confined to the capacity of Victorian CSOs as part of the overall state response to families and vulnerable children. In doing so, it is acknowledged that CSOs often undertake a broader range of activities using various funding sources, resulting in significant community and individual benefits.

### **17.3 Government funding of community service organisations and community sector capacity: key issues and funding patterns**

Against the background of community sector capacity, this section briefly identifies some key issues arising from and impacting on DHS as the sole funder or 'purchaser' of a range of key services for vulnerable children and their families such as Child FIRST, family services and out-of-home care. The section then analyses available information on the levels and patterns of DHS funding of CSOs.

#### **17.3.1 Government funding of community service organisations in Victoria: key issues**

The role of DHS as the sole funder or purchaser of services and the dependence by DHS on CSOs to deliver these services – in a complex area such as vulnerable children and their families – can give rise to a range of issues and interdependencies that adversely affect the effective and efficient delivery of services. As the sole or principal funder of the services, DHS has the dominant role in determining what services are provided, where and by which agency, and can significantly influence the structure and culture of the sector.

As noted in the previous section, this dominant funding role of government, coupled with the adoption of service performance-based agreements and contracts and increasing reliance on government funding, has been viewed by the NFP sector as having a number of negative consequences. The Productivity Commission in its 2010 report on the NFP sector summarised these concerns as follows:

- There is a strong perception in the sector that governments are not making the most of the knowledge and expertise of NFPs when formulating policies and designing programs.
- Many participants argued that, as a model of engagement, purchase of service contracting has some inherent weaknesses, including:
  - creating incentives for community organisations to take on the practices and behaviours of government organisations they deal with (or so called 'isomorphism');
  - distracting NFPs from their purpose thereby contributing to 'mission drift';
  - creating a perception in the community that NFPs are simply a delivery arm of government; eroding the independence of NFPs in ways that make it difficult for them to remain responsive and flexible to community needs; and
  - being inherently biased in favour of large organisations and thereby contributing to a loss of diversity in the sector (Productivity Commission 2010, pp. 309-310).

It is clear that governments as the sole purchaser or funder of services provided by CSOs can have an adverse impact on or introduce unnecessary impediments to effective service provision through, for example, overly prescriptive and short-term service agreements and contracts.

However, it is also clear that capacity and structure of CSOs can impact on or provide impediments to the overall quality of service provision being purchased and funded by government, particularly in complex human services areas. These aspects can include:

- Inadequate capacity among CSOs to meet the service needs of government and the specific needs of vulnerable children and their families, due to lack of resources, skills and knowledge and inadequate governance arrangements;
- Absence or scarcity of CSOs in key geographical areas; and
- Limited capacity or willingness of CSOs, due to size and other factors, to explore and adopt innovative or new approaches.

These limitations can be exacerbated by an inappropriate or immature regulatory framework that does not establish the appropriate standards or expectations of CSOs or promote a quality improvement approach to service provision.

Overlaying these considerations from the perspectives of the CSO sector and governments as the purchaser of services are the fundamental issues of achieving the best value in terms of overall client outcomes from the resources made available and meeting the public accountability requirements.

Government as the sole purchaser or funder of services has a broad set of public objectives and accountability requirements to meet. It also has the capacity through service specifications and funding arrangements to lead and encourage CSOs to achieve better outcomes and more effective and efficient service delivery. The complexity of the issues faced by vulnerable children and families, the unique attributes of CSOs and the inherent difficulties of achieving lasting impacts, underscores the need for government to work strategically with these organisations. However, this strategic relationship needs to be long term and based on an explicit understanding of the respective and different responsibilities and roles of government and the community sector.

### **17.3.2 Community service organisations and government funding patterns**

The departments of Health and Human Services provided the Inquiry with information on the annual service agreement funding provided to organisations across a range of health and human services programs and activity areas for 2009-10. These programs cover a broad range of areas such as mental health, drug services, family services, Aboriginal family services, family violence services, enhanced maternal and child health, youth justice, placement and support services and homelessness services.

For these services, funding of around \$243 million was provided to external organisations, the majority of which were CSOs, to deliver Aboriginal family services (\$14 million), family services (\$76 million) and placement and support services (\$153 million). These services, along with the internal statutory child protection services, are key direct services areas.

An analysis of Victorian Government funding provided for these services indicates that 141 organisations in Victoria received funding for either family services (including Aboriginal family services) or placement and support services, with 106 organisations receiving funding for family services and 71 organisations receiving funding for placement and support services. In 2009-10, 36 organisations received funding for both family services and placement and support services.

A number of these organisations were also funded by DHS and the Department of Health to provide other human and health services. In 2009-10, about two-thirds of the organisations that were funded to deliver family services (including Aboriginal family services) or placement and support services also received funding for a range of other human and health services. These included:

- Homeless services (35 per cent of organisations);
- Drug services (33 per cent);
- Mental health (28 per cent);
- Youth justice (21 per cent); and
- Family violence (21 per cent).

Funding for these other services totalled \$134 million in 2009-10, equivalent to just over half of the amount that these organisations received for providing family services and placement and support services.

Of the 10 organisations with the largest funding for family services and placement and support, nine received funding for at least one of the other services listed above. While these organisations received 55 per cent of family services and placement and support funding, they received 28 per cent of the \$134 million funding provided to organisations for the provision of other human and health services.

This broader view of the other government funding received by CSOs who are funded to deliver family services and placement and support services raises a more general question about the consistency of the standard, service and performance requirements for the community sector and NFPs across all government departments. This matter is outside the Inquiry's Terms of Reference but nonetheless is an issue the Inquiry considers would benefit from consideration over time to ensure a consistent and uniform approach to the engagement of CSOs by government – directed at achieving better and more efficient outcomes.

The levels of funding received by organisations to provide family services (including Aboriginal family services) covered a wide range, with 27 organisations receiving family services funding of less than \$100,000 and 23 organisations receiving funding of \$1 million or more, of which three received funding in excess of \$6 million (see Figure 17.1 for detailed information). The 10 organisations receiving the highest funding received nearly 60 per cent of the total funding for family services.

As with family services funding, the funding for placement and support services was also significantly dispersed, with 18 organisations receiving funding of less than \$100,000 and 26 organisations receiving funding in excess of \$1 million of which seven received funding in excess of \$6 million (see Figure 17.2 for detailed information). The 10 organisations that received the highest funding received 65 per cent of the total funding for placement and support services.

Table 17.1 sets out the total funding received for family services and placement and support services at the regional level, the total number of funded providers and the proportion of funding received by the largest four providers.

As expected, a regional analysis indicates there are a considerably smaller number of providers of family services and placement and support services in non-metropolitan regions. For example in the Grampians region there are five funded providers of placement and support services with the four largest providers receiving over 99 per cent of the funding. In the Hume region, there are eight funded providers of placement and support services, with the four largest providers receiving 98 per cent of the funding.

Three major observations emerge from this analysis of the 2009-10 funding patterns of funded organisations:

- There are a significant number of organisations, 33 or more than 25 per cent of service providers, that receive less than \$100,000 of the total funding provided for family services and placement and support services;
- At the same time, a smaller number of organisations, 10 in total, receive significant amounts of funding (in excess of \$6 million) for the provision of either or both family services and placement and support services, of which four organisations received funding excess of \$16 million (which in total represented 40 per cent of the overall funding); and
- In non-metropolitan regions in particular, DHS is dependent on a small number of organisations to deliver, what is arguably the most complex of tasks, namely placement and support services aimed at reducing the impact of abuse and neglect.

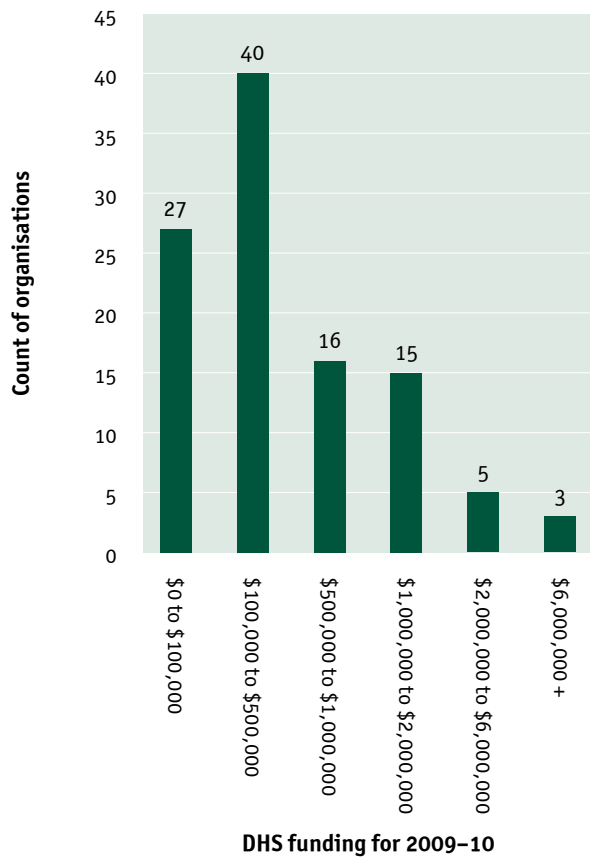
Funding for the provision of family services and placement and support services involves the use of public funds to assist some of the most vulnerable children and their families in the community. Notwithstanding the history and mission of CSOs, these factors alone mean that assessment and verification of the capacity and performance of funded CSOs should be an essential feature of the policy and service delivery framework. Chapter 21 sets out, in detail, the legislative and other regulatory requirements relating to CSOs. These arrangements include that to be eligible for registration to provide out-of-home care services, community-based child and family services or other prescribed categories of services, a CSO must:

- Be established to provide services to meet the needs of children requiring care, support, protection or accommodation and of families requiring support; and
- Be able to meet the performance standards established under legislation that apply to CSOs.

As part of the development of service-based funding arrangements (referred to as service agreements), DHS has instituted a requirement for funded organisations to report their financial position on an annual basis. These requirements are known as the financial accountability requirements and provide a check on the financial capacity of funded organisations. Relevant organisations are currently required to provide a certification by an authorised officer from the organisation, an annual report containing audited financial statements or, in lieu of financial statements, financial or cash indicator statements.

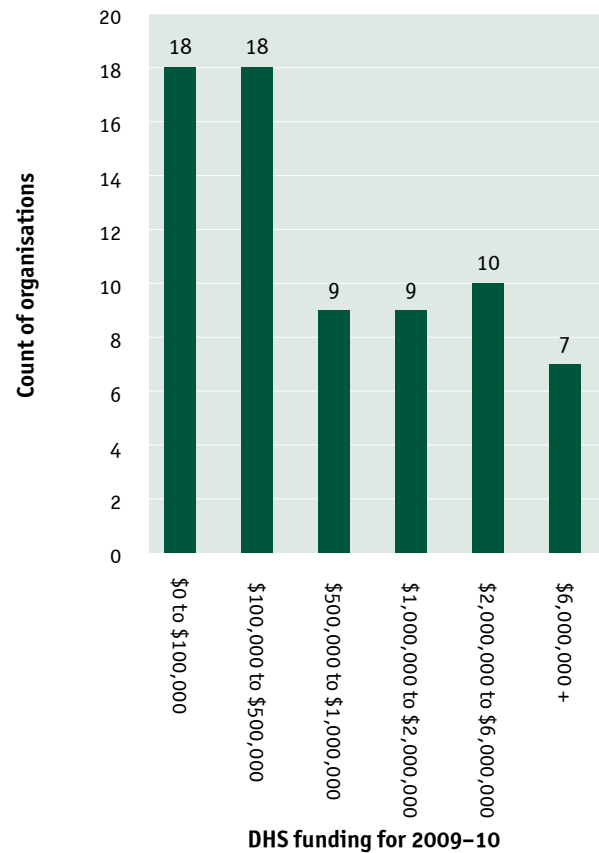


Figure 17.1 DHS funding of CSOs for family services (including Aboriginal family services), 2009–10



Source: Inquiry analysis of information provided by DHS

Figure 17.2 DHS funding of CSOs for placement and support services, 2009–10



Source: Inquiry analysis of information provided by DHS

Table 17.1 Family services (including Aboriginal family services), funding by region and number of funded organisations, Victoria, 2009–10

Region	Total funding for family services and placement and support	Funded organisations	Percent of regional funding to top four funded organisations
Barwon-South Western	\$ 18,385,775	19	80%
Eastern Metropolitan	\$ 30,724,029	25	74%
Gippsland	\$ 20,400,452	17	66%
Grampians	\$ 14,418,776	11	88%
Hume	\$ 15,376,600	13	90%
Loddon Mallee	\$ 23,006,934	24	67%
North and West Metropolitan	\$ 66,048,535	42	56%
Southern Metropolitan	\$ 48,314,737	30	49%
Statewide services funding	\$ 6,542,132	5	NA
<b>Total</b>	<b>\$ 243,217,970</b>	<b>141*</b>	

Source: Information provided by DHS

\* The total number of organisations is lower than the total of funded organisations by region as a number of organisations provide services in more than one region

DHS provided the Inquiry with a 2008-09 analysis of all DHS funded organisations. The analysis covered the total range of DHS funding: child protection and family services; housing and community building; concessions; disability services; and youth justice and youth services. The analysis, in line with the above analysis of 2009-10 funding, found that the child, youth and family services area funds a substantial number of small organisations and that the top 10 funded organisations accounted for more than half of the total expenditure. Compared with other areas, child, youth and family services had the most concentrated funding patterns.

In addition, the 2008-09 analysis examined the financial information provided as part of the financial accountability requirements. This analysis found:

- There was no apparent relationship between an organisation's financial viability and its level of dependency on DHS funding;
- The surplus of organisations that had a primary focus on children, youth and families services was an average of one per cent of total revenue, a significant decline on the average surplus in the previous year; and
- Overall the financial ratios, such as current assets to current liabilities, assets to liabilities and debt ratio, indicated a high level of financial stability within the sector.

Two interrelated factors influence the funding patterns identified in this section. These are the approach adopted by DHS to the specification and funding of services and the range and spread of available and interested CSOs with the capacity and the objective of assisting vulnerable children and their families. Given the policy responsibility for assisting vulnerable children and their families and the statutory child protection system, a legitimate issue for consideration by government is whether the separate funding of a large number of organisations represents or will continue to represent the most effective structure of service provision for Victorian vulnerable children and families.

## 17.4 Community sector capacity: roles, constraints and performance

### 17.4.1 Roles

The Inquiry considers that the expectations of CSO capacity should be linked to a clear and accepted understanding of their roles and responsibilities.

In submissions, a number of CSOs focused not only on factors that impact on their capabilities and capacity to provide effective and efficient services and interventions but also the capacities that CSOs bring to the issue of vulnerable families and children including broader policy and program development.

Jesuit Social Services summarised the role and capacity of CSOs in the following terms:

Governments have a role to ensure the most vulnerable in the community are protected but as discussed throughout this submission, Jesuit Social Services would argue that a broad approach needs to be adopted to effectively pursue this outcome.

There is an obvious role for Community Service Organisations (CSOs) to assist government achieve the aim of protecting vulnerable people.

CSOs bring a range of community assets which would (generally) not otherwise be offered to government. CSOs motivate and facilitate the contribution of an organisations resources, mostly their people, to concerns of common interest.

CSOs bring a community awareness and engagement (from members, supporters and media) that would not be available to government. Indeed CSOs' interest in child protection pre-dates that of governments.

Jesuit Social Services has a history of opposing the for-profit sector entering into the direct provision of government services to vulnerable people and submits that the introduction of 'for profit sector' into child protection would be deleterious (Jesuit Social Services submission, p. 21).

The joint submission by Anglicare Victoria, Berry Street, MacKillop Family Services. The Salvation Army, Victorian Aboriginal Child Care Agency and the Centre for Excellence in Child and Family Welfare (Joint CSO submission) identified a set of outcomes to be achieved to better protect and care for vulnerable children and young people in Victoria including:

*For the community services sector* – that it is the primary vehicle by which services are provided as part of a balanced and effective partnership with government to achieve positive outcomes for vulnerable children, young people and their families; and

*For the government* – that it has overall responsibility through an effective partnership with the community services sector to reduce the incidents of harm and the numbers of children and young people requiring protection and care (p. 7).

Consistent with these perspectives, and particularly with their perception of demonstrated capacities, a number of CSOs proposed that the child protection system be fundamentally changed by focusing the work of statutory child protection on the forensic work of child protection and transferring the responsibility for casework with children, young people and families to CSOs, with appropriate oversight from the child protection service.

Berry Street submitted:

From our perspective, allowing the Department of Human Services to do what it does best, statutory Child Protection work, and the sector to do what it does best, direct service delivery, is in the best interests of the child and young people (Berry Street submission, p. 49).

On the broader issue of the need for a relationship with government that recognises the capacities of CSOs in both policy development and service delivery, a number of submissions proposed formal arrangements to enhance the role of community sector and other key stakeholder organisations. On policy development, Berry Street recommended:

That a formal mechanism or body involving all key stakeholders be established, if necessary under the Children, Youth and Families Act, for collaborative long term policy development on the care and protection of vulnerable children in Victoria (Berry Street submission, p. 49).

On the issue of service delivery, the Joint CSO submission proposed the establishment of Children's Councils to give effect to a multidisciplinary service response:

The operating structures we envisage – which we call Children's Councils – could be aligned to the Child First catchments. While roles and responsibilities would need to be formalised, what we are proposing are joint governance arrangements at a local, regional and statewide level to deliver better outcomes for children, young people and families.

Children's Councils would be led by government and community services sector jointly, and comprise all services that work with children and families including education and early childhood and health (and mental health services). Children's Councils would be responsible for developing a plan for addressing outcome deficits, implementing changes and approaches to address (sic) established in legislation (Joint CSO submission, p. 76).

On an enhanced role of CSOs in case management, Chapter 9 considered the issue of the transfer of case management responsibilities to CSOs and concluded that a robust case did not currently exist for the wholesale transfer of case management responsibility. However, it was also noted the adoption of a differentiated or segmented approach to the handling of child protection investigations and cases may facilitate increased case management by CSOs. The issue of community sector involvement in policy development and system planning is considered in the concluding section of the chapter.

### 17.4.2 Constraints

Regarding the factors impacting on their capabilities and capacity to deliver effective services to vulnerable families and children, relevant submissions commented on three main areas: funding levels and arrangements; workforce or skill constraints; and regulatory arrangements.

These issues are in line with the constraints on the growth and development of NFPs outlined in the Productivity Commission's 2010 report. The constraints, which were analysed at a more general level, can be summarised as:

- Regulatory constraints, particularly legislative constraints;
- Contracting constraints, for example, restrictions on the delivery of the funded activity including specification of quality standards and staff and volunteer qualifications;
- Funding and financing constraints, which, for example, make it difficult to make investments such as information systems, housing, training for staff and major capital investments; and
- Skill constraints, for example, in the community services sector related to low wages and lack of career paths.

In the area of skills constraints, the report also identified the need for governing boards of CSOs to develop their governance skills as their tasks become more complex with delivery of government funded services and demands by donors, members and clients for greater accountability. The Productivity Commission referred to research that found that many NFP failures stem from inexperienced, weak or sympathetic supervisory groups and the important role that boards play in ensuring robust decision making and appropriate controls (Productivity Commission 2010, pp. 25-26).

Chapters 16, 19 and 21 consider workforce and skill constraints, funding levels, funding arrangements and regulatory arrangements issues in more detail and generally from an overall system perspective. However, the following extracts from submissions convey the perspectives of the community sector on the constraints arising or potentially arising from funding arrangements and regulatory approaches.

On funding levels and funding arrangements, the Centre for Excellence in Child and Family Welfare submitted:

While some progress has been made by the Department of Human Services in the development of Funding and Service Agreements and in the development of Unit Costing for key program areas including family support services and out-of-home care, these programs are not fully funded ...

Additionally, The Centre believes greater consideration around funding models is required. Systems focused on targets alone enforce a greater emphasis on records administration adherence as opposed to demonstrating improved outcomes for children, young people and families. A move to funding outcomes and with greater flexibility at the service delivery level for implementing the necessary service mix to achieve outcomes is the next obvious step. An approach that would result in specified levels of funding from government should be based on new resource allocation methodologies, for the achievement of outcomes (Centre for Excellence In Child and Family Welfare submission, pp. 46-47).

On the issue of regulation, the Victorian Council of Social Services (VCOSS) emphasised:

A key issue for the Panel will be to ensure that any reforms do not increase the regulatory burden on community service organisations. VCOSS wishes to highlight to the Panel the significant work that is underway at both a State and national level regarding reducing the regulatory burden in the not-for-profit sector ...

Any systems change must reduce regulatory burden to improve service delivery and in turn outcomes for children. As we move towards a more integrated and cross-Departmental, agency and jurisdictional way of service delivery, it is vital that processes are put in place to ensure quality service delivery and accountability (VCOSS submission, pp. 51-52).

### 17.4.3 Performance

From a practical perspective, a test of the capacity of a CSO is their performance in achieving client outcomes or, as an intermediate measure, meeting service standards and quality expectations. A range of anecdotal evidence indicates that there are gaps in the current capacities of a number of CSOs to meet these standards or reasonable performance expectations.

Chapter 21 sets out in detail a range of information on the performance of CSOs covering performance in relation to registration standards and the number of quality of care complaints.

The results of the first external reviews of organisations registered to provide relevant services under the *Children, Youth and Family Services Act 2005* indicated that nine of the 99 CSOs were found not to be meeting one or more standards. The nine were re-registered on the condition that they complete an action plan within six months to address the relevant shortcoming, and a subsequent reassessment found the nine CSOs had met or partly met the relevant standards.

Chapter 21 also sets out the available information on quality of care concerns. This includes information on the quality of care reviews held as a result of quality of care concerns relating to 159 clients in out-of-home care in the period from July 2009 to June 2010. The most significant issues of concern in these reviews were inappropriate discipline (30.8 per cent), issues of carer compliance with minimum standards (17.6 per cent) and inadequate supervision of child (14.5 per cent). The majority of these reviews related to residential care services for vulnerable children and young people.

Quality of care in residential facilities has also been the basis for interventions in 2011 in three CSOs funded by DHS to provide residential care services. All three organisations focused largely on residential care and were small or medium-level agencies in terms of funding received. To date, the total funding received by two of the organisations has been transferred to two other currently funded service providers while DHS is continuing to intervene and support the operations of the other two agencies.

While a range of trends and factors impact on the recruitment, screening and shortage of foster carers, it is also relevant to point out responsibility for the recruitment of suitable foster carers rests largely with CSOs.

## 17.5 Conclusion

CSOs have long played and continue to play a vital role in responding and providing services to vulnerable children and families. In particular, they are overwhelmingly the major providers of the statutory out-of-home care services and the community based child and family services covered by the *Children, Youth and Families Act 2005*. Their capabilities and capacities are obviously critical to the performance of the system for protecting Victoria's vulnerable children, as they are in a number of other health, human services, justice and community development areas.

As outlined in Figures 17.1 and 17.2 many CSOs receive considerable funding from the Victorian Government. Therefore, it is reasonable to expect and demand that they have the appropriate governance and other arrangements in place to provide effective services and be fully accountable for protecting vulnerable children and achieving positive outcomes. At the other end of the spectrum, relatively small amounts of funding are provided to a significant number of smaller and largely single service agencies. Their size and relatively low levels of funding impact on their governance and infrastructure capacity.

The Inquiry received a number of submissions seeking to expand the role of CSOs in service delivery to vulnerable families and children and in the policy development and service planning processes, particularly at the area level.

The history and involvement of CSOs delivering services funded by and on behalf of government, particularly for statutory functions such as out-of-home care, has and continues to raise significant public accountability issues. The provision of these major services is outside the traditional structures of public administration governance; however, DHS remains accountable for both the performance and ethical conduct of the CSOs concerned. These issues have implications for proposals emphasising the partnership nature of the relationships between government and CSOs and the arrangements for joint responsibility for planning, implementation and oversight. At the same time the capacities and capabilities of CSOs need to be recognised and harnessed to achieve improved, sustainable outcomes for Victoria's vulnerable children and their families.

The Inquiry considers that these issues surrounding policy leadership and, ultimately, public accountability for service delivery and expenditure of public funds, require that the relationship between CSOs and the Victorian Government should be viewed as a long-term collaboration, not from a joint partnership or joint responsibility perspective. An important element for this long-term and effective collaborative relationship, which is considered further in Chapter 19, is fair and equitable service-based funding of CSOs.

### Recommendation 69

The future relationship between the Department of Human Services and community service organisations should be based on a model where:

- The Victorian Government is responsible for the overall policy leadership and accountability for the structure and performance of the child, youth and family support and service system; and
- The capacities and service delivery roles of community service organisations for the provision of vulnerable children and families are reflected in collaborative service system planning and performance monitoring at a regional and area level.

The Inquiry considers that to effectively engage in the policy planning and service delivery framework, CSOs will need to consider and collectively strengthen their capacity to represent their interests in these forums and in any statewide arrangements. While the Inquiry received many valuable submissions from CSOs, particularly the larger CSOs, on major aspects of the Inquiry's Terms of Reference, there were very few submissions that presented considered positions on the totality of the Terms of Reference, the relationship between government and CSOs and the perspectives of the community sector as a whole as opposed to individual CSOs.

As outlined, DHS both funds and is dependent on CSOs to deliver critical services and interventions on behalf of government. However, the Inquiry considers that this dependence, and the underlying missions of CSOs, should not implicitly or explicitly act as a deterrent to penalise poor performance. In Victoria, a relatively small number of sizeable organisations provide the major share of family services and placement and support services. These organisations should validly be expected to have strong governance arrangements around critical risks and performance areas for their organisations, for example, in areas such as the quality of foster care and residential care. If there is clear evidence that CSOs are failing to address the needs of vulnerable children, then government has a clear obligation to intervene – in whatever way is necessary – to ensure that these services are provided to Victoria's vulnerable children and young people and their families.

At the same time, the Inquiry acknowledges that there are a large number of small CSOs currently funded by DHS, many in non-metropolitan regions. The Inquiry considers, therefore, there is a strong case for government to take a more proactive role than it has to date, aimed at improving the overall structure and capacity of CSOs. A focus for these activities would be the governance, quality, financial viability and the number and capacities of these small service providers.

#### **Recommendation 70**

The Department of Human Services should review and strengthen over time the governance and performance requirements of community service organisations providing key services to vulnerable children and their families, while also playing a proactive facilitation and support role in community services sector organisational development.

In Chapter 10, the Inquiry recommended a more comprehensive service approach be adopted, including client-based funding. This will have implications for the service capacity expectations of CSOs including the capacity to provide a broader range of services or link with other service providers.

#### **Recommendation 71**

The Department of Human Services should:

- Consult with the community services sector on the implications of the future system and service directions outlined in this Report for the future structure of service provision and requirements of community service organisations; and
- Establish one-off funding and other arrangements to facilitate the enhancement and adjustment of community service organisations.