

Review of the Sector Development Program

NSW Department of Families and Community Services

15 March 2019

Glossary

This section defines terms used in this report. The terms have been defined as per their use in the report; alternative definitions for these terms may exist.

Term	Definition
Advice and advocacy	Activities aimed to inform and influence government stakeholders, on behalf of groups of individuals or organisations with shared concerns or issues.
Capacity building	Activities aimed to support service providers deliver services for clients and communities sustainably and effectively and understand relevant reforms and policy.
Commissioning	A structured approach centred on achieving the best possible outcomes for clients in the most efficient, effective and sustainable way. This is done by designing, delivering and managing – in collaboration with partners and clients – the services which best address clients' needs. ¹
Human services sector	A diverse range of services provided by government agencies, not-for-profit organisations and private companies to meet the health, welfare and social needs of individuals, families and communities. The broader human services sector includes ageing, carers, child and family services, community services, disability, employment services, homelessness, housing, justice, and youth.² For the purposes of the Review, the 'broader human services sector' collectively refers to the entirety of the sector, with individual sectors (e.g. the child and family sector) referred to individually.
Market	The demand and supply for the services that sector development providers deliver to clients, communities, government agencies, not-for-profit organisations and private companies in the human services sector. Generally, these services include advice and advocacy activities and capacity building activities designed to develop and support member organisations and the sector.
Non-government organisation	An organisation that is independent from government. For the purposes of the Review, non-government organisations comprise both not-for-profit organisations and private companies.
Not-for-profit organisation	A non-government organisation which has the primary purpose of pursuing a goal or special interest other than commercial profit for its members. Any surplus generated by a not-for-profit organisation must be put towards advancing the purpose for which the organisation was established rather than distributed to members.

¹ Definition adapted from the NSW Department of Families and Communities *Commissioning Glossary*.

² List of services derived from the Productivity Commission in: Productivity Commission 2016, *Introducing Competition and Informed User Choice into Human Services: Identifying Sectors for Reform*, Study Report, Canberra.

Term	Definition
Peak body	A representative, non-government organisation whose membership predominantly consists of other (legally unrelated) organisations of allied interests and which is recognised by other peaks and their sectors generally as a representative of the whole of their sector.³ For the purposes of the Review, 'peak body' includes peak organisations, industry bodies and consumer representative bodies that represent the interests of clients, communities, not-for-profit organisations and private companies working in the human services sector.
Private company	A non-government organisation which has the primary purpose of generating a commercial profit for its shareholders.
Regional sub-peak	Organisations that fulfil similar roles to peaks but focus on local and regional issues and solutions.
Sector	A grouping of providers or organisations operating in an economy or market to deliver similar services and meet the needs of common stakeholders.
Sector development	Activities that contribute to the development of a capable and sustainable sector service system that delivers positive outcomes for clients and the broader community.⁴ For the purposes of the Review, sector development comprises the two interrelated activities of advice and advocacy and capacity building.
Service providers	Non-government organisations that deliver services for individuals, other organisations and the community. This includes, but is not limited to, sub-peaks, not-for-profit organisations and private companies.
Stewardship	An approach designed to create an efficient and sustainable marketplace through a diverse and competitive range of suppliers who are able to meet the structural changes created by a client-driven market. ⁵
Systemic advocacy	Activities aimed to influence public or institutional policies and/or political decisions on behalf of groups of individuals or organisations with shared concerns or issues. Systemic advocacy differs from personal advocacy in that the intervention is on behalf of groups rather than on behalf of individuals themselves. Advocacy activities can include representation and lobbying, media releases, research, publication and comment on government work. ⁶

³ Definition adapted from Ogle, G. Unique Peaks: The Definition, Role and Contribution of Peak Organisations in the South Australian Health and Community Services Sector, SACOSS Information Paper, May 2011.

⁴ Definition adapted from the FACS Sector Development Program Specifications March 2017.

⁵ Definition adapted from the NSW Department of Families and Communities *Commissioning Glossary*.

⁶ Youth Coalition of the ACT (2009), Peak Body, in The Big Red Book: A Handbook and Directory for People Who Work with Young People in the ACT, Version 5, pp.131-135, in Ogle, G. Unique Peaks: The Definition, Role and Contribution of Peak Organisations in the South Australian Health and Community Services Sector, SACOSS Information Paper, May 2011.

Executive summary

The Department of Family and Community Services (FACS) has a vision where all people are empowered to live fulfilling lives and achieve their potential in inclusive communities. The realisation of this vision requires a human service sector that has the right capacity and resources. On behalf of the New South Wales (NSW) Government, FACS leads initiatives to involve human services sector organisations to identify and conduct effective sector development to deliver improved human service outcomes across NSW.

FACS established the Sector Development Program (the Program) in 2009 by consolidating several of its different sector development investments. The Program now allocates \$8.7 million each year to diverse peak organisations, industry bodies and consumer representative bodies (peaks) to develop a capable and sustainable service system that delivers positive outcomes for FACS clients and the broader community. The Program operates alongside other sector development projects that FACS policy areas, the NSW Government, and other government agencies conduct to ensure reforms and priorities are being implemented. The Review identified 65 additional organisations funded by FACS that conduct sector development, in addition to Program funded organisations.

FACS intends to ensure the Program meets the needs of the broader human services sector and embeds commissioning principles in its performance measurement and resource allocation models, and has commissioned this independent Review of the Program. FACS will use the Review findings to inform a process to redesign the Program during 2019-20.

The Review's focus is to inform FACS on how effective the Program mechanisms have been in meeting its objectives, examine how it interacts with other FACS funded sector development activities, explore how other government agencies and jurisdictions fund and work with sector development organisations, and identify strengths, gaps, and opportunities for improvement. The role, focus or performance of the funded representative bodies was not assessed.

FACS engaged Nous Group, a management consultancy, to conduct the Review. Nous conducted the Review using multiple methods between October 2018 and March 2019, including through engagement with diverse stakeholders across NSW, including peak bodies and their members, FACS-funded service providers, other NGOs, sub-peaks, FACS staff and other NSW Government representatives.

A key challenge for the Review was the diffuse nature of sector capacity building generally and specifically in the context of human services. Definitions of sector development involve vastly diverse activities and vary significantly across stakeholders. For example, the broader human services sector is wide and interrelated and its individual sectors are equally complex.

The Review's findings were constrained by evidence base limitations, which presented a challenge to the Review's conduct. These limitations included limited information on the sector development activities of FACS funded organisations, meaning that it was not possible to determine if duplication in activities is occurring, incomplete information on the broader sector development market in NSW, and challenges in measuring outcomes in sector development.

Human services sector development is diffuse

The human services sector involves at least 3,329 not-for-profit organisations with a primary purpose of delivering social services. In addition to these, many other government agencies, private companies and organisations primarily working in other sectors contribute to human services outcomes. The sector delivers over \$14.3 billion in services and employs more than 422,000 staff.

The NSW Government is committed to a collaborative approach with the human services sector to successfully develop policies to maximise public value. The market for sector development includes government agencies, not-for-profits (NFPs) and private companies. The human services sector in NSW encompasses diverse sectors including ageing, carers, child and family services, community services, disability, employment services, homelessness, housing, justice, and youth.

The sector development market that supports the human services sector is equally diverse and large. Sector development is requested by Government through Ministers, FACS and other government agencies as well as service providers themselves. Sector development activities, including advice and advocacy and sector capacity building, are conducted through formal and informal means. The Review received information about a vast and complex network of multi-stakeholder networks, forums and advisory groups. This network gathers and distributes information and resources to inform policy development and support its effective implementation.

The context for the Program is highly dynamic

The NSW human services sector is undergoing unprecedented change, with unprecedented policy reform, changes to market structures and performance, demographic changes and organisational trends affecting clients, communities and sectors.

Overall growth in total funding to non-government organisations (NGOs) (excluding disability funding) has increased from \$532 million in 2009 at the Program's inception to \$1.248 billion in 2018.⁷ This growth in funding and the asset transfer reflects growing demand for services, policy reforms and changes in the role the NGO human services sector plays in service delivery. The emphasis is increasingly focused on achieving outcomes which need new approaches to what and how sectors deliver value and services.

With its stewardship role, FACS is working to create an efficient and sustainable marketplace through a diverse and competitive range of suppliers who are able to meet a client-driven market, and NFPs and private companies are expected to become an increasingly important part of service delivery.

Beyond this strategic change, the context for human services is facing times of unprecedented change which creates an increased need and demand for sector development activity. This includes reforms to sectors, dynamic market composition, an emphasis on new capabilities to support innovation, and adjusting to new ways of delivering services including consumer-directed or outcome-focused models.

The extent of factors that are impacting human services in NSW highlights the importance of working to boost the capacity of the sector. It also illustrates the range of priorities the different approaches to sector development are seeking to support.

Analysis conducted by the Review demonstrates that the Program is contributing to sector development in ways that are valued

The Review found the Program is achieving the outputs it sets funded organisations to achieve, and the broader human services sector is positive about the value of this activity. Program activities closely match the performance measurement targets and survey results show that the sector is satisfied, indicating that the Program is matching its outputs to its inputs effectively. According to the Review's survey of sector organisations, most stakeholders agreed or strongly agreed that peaks funded by the Program create value for their members (65 per cent), provide opportunities for organisations to be heard and share ideas (66 per cent), and play an important role in supporting the organisation (71 per cent).

However, the Program may not be set up to achieve all of its stated goals (as outlined in **Error! Reference source not found.** on page **Error! Bookmark not defined.**) because the agreed activities may not be

⁷ Funding figures drawn from data in FACS COMS contracting system, 15 March 2019.

genuinely achieving the Program goals. The Review has assessed several specific examples of potential misalignment between agreed activities and Program goals including:

- The Program inputs put structural emphasis onto some priorities. This may be due to an unspecified but appropriate hierarchy of priorities, and to the complementary and overlapping nature of different priorities in this context.
- Reported activity does not focus on sector capacity as much as other outcomes, which also may be due to a hierarchy of outcomes and complementarity between outcomes.
- Survey results suggest that priorities may not be given appropriate emphasis, but this is not conclusive.

These examples could be a result of the evolved nature of the Program, which retrofitted a program logic to the original consolidation of funding. As such, the priorities and service outcomes are not mutually exclusive, or equally weighted. Outside of the stated goals, the Program is an effective tool for engagement between Government and the broader human services sector.

The Program offers strengths, but there are opportunities for improvement

The Review found the Program is delivering value and is performing relatively well. This view is broadly shared across government, funded organisations and the sector more widely. The Program offers important strengths that should be recognised in the redesign process. However, the Program is operating in a context of change and high expectations for sector development. With a surplus of competing priorities, the Program faces a significant challenge to preserve and build from its current value within the constraints of its funding levels.

Strengths	Challenges
• Investment in broad sector development, including advice, advocacy and capacity building • Facilitating peak involvement in sector development and social policy reform • Investment of \$8.7 million in sector development activities, which are valuable to service providers, members and other stakeholders • Investment in organisations and activities that reflect much of the diversity of the broader human services sector • Facilitating collaboration between different stakeholders, though all stakeholders believe that there is an opportunity to further promote this • A mechanism for greater sustainability, visibility and performance of sector development investments.	• Investment levels are constrained • The Program's role and contribution to sector development is poorly understood • Demonstrating impact across a diverse range of organisations and activities • Insufficient capacity to address numerous priorities and demands for sector development • The size and diversity of the human services sectors and potential gaps in representative coverage • Difficulty in redirecting investment when existing activities are valued • Applying a strategic commissioning approach • Increasing capacity to address demands for locally directed solutions.

The Program's redesign process could be informed by six key questions

The Government intends to ensure the Program meets the needs of the human services sectors and embeds commissioning principles in its performance measurement and resource allocation models. To achieve this, FACS will make changes to the Program design during 2019-20, informed by the findings of this Review. FACS has indicated that it will negotiate Program contracts using the new design when existing contracts expire in June 2020.

Based on the findings of the Review and considering its key strengths, gaps and opportunities for improvements, six guiding questions could inform the Program's redesign process. These questions are outlined below along with a brief description.

Key questions to guide the Program's future redesign

1	What is the value and role of sector development to human services in NSW? While FACS makes multiple sector development investments across a number of service delivery programs, including the Program, it has no dedicated strategy which guides and aligns these investments. With many of these sector development investments coming up for renewal, FACS has a valuable opportunity to ensure alignment with these investments and to correspondingly change its resource allocation model. FACS would benefit from a more thorough understanding of its various sector development investments, including the Program, and how they contribute to building a capable and sustainable sector.
2	How could the Program further complement and distinguish itself from other sector development investments? While the Program partly complements FACS' other sector development investments, it does miss some gaps and duplicates other activities. There are likely to be opportunities to further enhance the Program's value by emphasising its unique attributes while complementing other sector development activities.
3	How could the Program better balance advice and advocacy activities with capacity building supports? Most stakeholders engaged with during the Review hold a perception that Program funded organisations have stronger capabilities and conduct more activities in advice and advocacy. While these sector development supports are important, and are not mutually exclusive with capacity building activities, there may be opportunities for the redesigned Program to be more focused on capacity development and increase its ability to impact sector development priorities as sector needs change.
4	How could the Program draw on a broader understanding of human services and promote multidisciplinary and collaborative approaches? Given the diversity of the broader human services sector and the pace of change across it, clients, communities and the sector might benefit from the Program encouraging multi-agency and multidisciplinary approaches through approaches that encourage collaboration and different approaches to sector development.
5	How could the Program embed commissioning principles in its performance measurement and resource allocation models while recognising its unique purpose and role? While all Program stakeholders want the Program to align with commissioning principles in its performance measurement and resource allocation models, there are challenges in designing this, and the redesign process should be careful to preserve the Program's flexibility and value.
6	How could the Program address the additional opportunities presented to it within its resources? Stakeholders seek continued sector development support which exceeds the Program's capacity and finite resources. The Program redesign process could consider different models to address this imbalance while ensuring the Program continues to provide valuable sector development supports for clients, communities and the broader NSW human services sector.