

# Commissioning and Getting Better Outcomes – Principles and Practice

## An ACOSS Briefing Note

October 2018



### Introduction

In 2017 the Federal Department of Social Services commenced a new approach changing the way that services are planned and delivered to focus more on outcomes for people. This program of work – originally called Commissioning for Better Outcomes, now reframed as Getting Better Outcomes – has generated discussion and debate in the community sector about the program, and about commissioning as an approach more generally.

In this context, and via this paper, ACOSS has engaged with the debate by reviewing a range of literature about what makes an effective commissioning framework, and engaged with members via a full day workshop focussed on informing the Getting Better Outcomes program. We have also consulted widely with our members to inform the development of this paper.

This paper is not a comprehensive guide on how to undertake a commissioning process, rather it is a distillation of the community sector's perspective on the principles and preconditions for commissioning processes. It provides:

- a definition of commissioning,
- an outline of the components that should be included in a process of assessment of need, principles to inform the design of services via a codesign process,
- an outline of some key issues in the purchasing process that should be addressed by commissioners in a commissioning context, and
- principles to underpin managing the delivery of services to achieve defined outcomes via monitoring, evaluating and performance improvement.

### Defining Commissioning

Commissioning is a relatively new concept in the Australian context, and there is no one authoritative definition of the term. The British Government's *Modernising Commissioning Green Paper*<sup>4</sup> defined commissioning as "The cycle of assessing the needs of people in an area, designing and then achieving appropriate outcomes. The service may be delivered by the public, private or civil society sectors." The Productivity Commission has defined Commissioning as "...a cycle that involves planning the service system, designing services, selecting, overseeing and engaging with providers, managing contracts and undertaking ongoing monitoring, evaluation and improvement"<sup>5</sup>.

For the purpose of this paper ACOSS has defined commissioning as a cycle of activities that includes:

1. assessing need,
2. designing services,
3. purchasing services, and

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<sup>4</sup> Institute of Public Care, 2011, *Modernising Commissioning Green Paper*, London, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/78924/commissioning-green-paper.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/78924/commissioning-green-paper.pdf)

<sup>5</sup> Productivity Commission, 2017 *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*, No 85, Productivity Commission Inquiry Report, <https://www.pc.gov.au/inquiries/completed/human-services/reforms/report>

4. managing the delivery of services to achieve defined outcomes via monitoring, evaluating and performance improvement.

## Assessing Need

The assessment of need is a common feature of all commissioning models, and an essential component in the process. The needs assessment should identify the unmet needs of a community or population group and articulate them in a format that is accessible by the relevant community and people whose needs are being assessed, and by the people and organisations involved in the commissioning process.

The actual process for the assessment of need can take many forms, however should always include the following components.

- **A national dialogue about the design of commissioning processes and national programs.** This stage involves engagement with national peaks, service providers and a range of other stakeholders about the design of the commissioning process itself, and also regarding the overall structure of the program.
- **Engagement with communities and people.** This stage, sometimes referred to as community empowerment, should involve genuine, representative consultation with the people who will use the services and the communities in which the services will be based to determine what needs need are to be met by the delivery of a service. This component provides a key method for understanding the factors that affect the health, wellbeing and quality of life of people and communities. It can provide the means of identifying the needs of people and communities experiencing poverty and disadvantage that are not represented in routine statistical collections.<sup>6</sup> It also can provide a way for service users to safely input information regarding the performance of service providers.
- **Analysis of data and evidence.** This stage should involve commissioners collecting, sharing and analysing data collected at a population level including Australian Bureau of Statistics (ABS) Census and Census-derived data on demographics, projection data on the likely future demand for services, DEX data and other departmental sources, outcomes and other data held by community organisations delivering services in a local community, and data on existing services in a local community. It should also involve collecting, sharing and analysing the evidence about what works, by academics, peaks and local service evaluations. Sharing the data and evidence is important and this stage should be undertaken in conjunction with the engagement with communities and people, and consultation with the community sector. This allows the data and evidence to be tested against local knowledge and on the ground perspectives. It also allows gaps in the data to be identified and if possible rectified.
- **Consultation with community services and civil society leaders.** Engagement with communities and people is a process distinct from the process of consultation with the community sector. The community sector offers a unique perspective on the needs of their community, and has often recorded turn away rates, service gaps that impact on the

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<sup>6</sup> Commonwealth of Australia, 2015, *Needs Assessment Guide*, PHN Commissioning, Australia  
[https://www.health.gov.au/internet/main/publishing.nsf/Content/98D184E26BF30004CA257F9A000718F4/\\$File/PHN%20Needs%20Assessment%20Guide.docx](https://www.health.gov.au/internet/main/publishing.nsf/Content/98D184E26BF30004CA257F9A000718F4/$File/PHN%20Needs%20Assessment%20Guide.docx)

delivery of existing services and a range of other data that can inform a needs assessment. Consulting the community sector should be an integral part of any needs assessment process.

## Designing services

If services are going to meet the needs of people and communities that use them, people using services and communities where services are to be based should actively participate in their design. In undertaking this design, the role of place needs to be recognised – service design should look different in different locations. Ensuring that services are designed in partnership with people and communities ensures that they, and their expertise are respected. That means that each service design process should be a collaborative process underpinned by community development principles and practice. Codesign is one of those processes.

Codesign, when conducted in a way that reflects its true meaning, recognises that people are experts in their own lives. It also reduces unintended consequences, and provides insights into how services will be received and used. Codesign is different from consultation, in that it goes beyond dialogue and discussion to ensure that all stakeholders are actively involved in the design process. WACOSS has developed a codesign toolkit<sup>7</sup> that offers appropriate guidance to commissioners on how to design services using a codesign model. The principles below are based on the key principles from that toolkit:

- **Clarity of purpose.** There must be a shared clarity of who should be involved, the process of involvement, what is negotiable or not, and what resources and time are needed to make the co-design possible.
- **Inclusiveness.** Comprehensive inclusion of people who will use the services (and their families and carers as appropriate) as well as those who will deliver them. It is important to design with people, not just for them. Inclusion must be at the outset, not later when decisions have been made.
- **Equal Partnership.** People should be supported to participate as equal partners, with solutions to be focused on service users. Unequal power dynamics should be recognised and addressed by commissioners to improve the quality of interactions.
- **Respect and Trust.** It is essential that there is an effective, facilitated process with freedom and safety to speak frankly so that issues can be genuinely addressed. This requires a relationship based on trust, respect, openness and transparency that enables all participants to participate meaningfully, using methods of communication that enhance capacity to share ideas effectively. This may involve the use of a range of techniques to build respect and trust, including the use of independent facilitators and brokers where appropriate.
- **Data-Driven.** Co-design processes should commence with the sharing of existing data on community need, population and cohort dynamics, and service evaluations. Agreement should be reached on service goals and outcomes before proceeding to service design. Ideally, the co-production of effective service models is an iterative loop including co-design, co-production and co-evaluation.

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<sup>7</sup> WACOSS, 2017, *Co Design Toolkit*, WACOSS, Perth, <http://www.wacoss.org.au/wp-content/uploads/2017/07/co-design-toolkit-combined-2-1.pdf>

- **Comprehensive.** The process should involve design, planning and evaluation, as well as in some cases, implementation or delivery.
- **On-Going.** Co-design is an iterative process that develops over time. Participants need to be able to explore, make mistakes, learn from these and use the process to progressively design better services that will deliver improved outcomes.

## Funding services

Funding services is an integral part of any commissioning process. Competitive tendering and the application of competition policy to human service delivery, has been the primary method by which large scale purchasing of services have been undertaken by the Commonwealth for at least two decades. In a [separate report](#), ACOSS and CHOICE found that there is a “...strong tendency to overstate the benefits of competition, while underestimating the complexity of getting the right regulatory structure”<sup>8</sup> and that on “...the basis of the case studies contained in this report, such faith appears to fly in the face of experience.” The report examined two sectors where competition policy was introduced – employment services and vocational education and training – and found that the introduction of competitive models into these two sectors have largely failed to deliver better outcomes for consumers, and have caused major barriers to improving collaboration.

The report’s findings show there are significant risks in introducing further competition into human services, particularly as the benefit to people is doubtful, and is not evident in these two examples. Where competition has been introduced in vocational education and training, it has led to rising costs, people being placed in inappropriate courses through aggressive sales practices, and a significant reduction in quality across the sector. In employment services, ‘marketised’ service delivery has led to private providers focusing their efforts on people who are job-ready rather than people who need more assistance. Further, choice for people who are unemployed is severely restricted by the harsh benefit compliance system, which employment service providers play a major role in administering.

The processes for funding services are underpinned by legislation, regulations, policies and procedures including the *Public Governance, Performance and Accountability Act 2013*, *Commonwealth Grants Rules and Guidelines 2017* and DSS guidelines and policies on grant administration and contracting. This paper does not seek to replicate them. Neither is this paper the entire ACOSS body of policy on the grants and procurement policy and practice. Rather, this paper sets out some key issues in the funding process that should be addressed by commissioners in a commissioning context.

- Competitive tendering should not be the ‘default’ method for purchasing services when using a commissioning framework. Expressions of Interest, Preferred Service Provider processes and Direct Negotiation with existing service providers among other approaches should be considered first with competitive tendering only being considered when it is clear that the pre-conditions to a real market environment exists, and when there is confidence that a competitive approach will not drive out collaboration and advocacy from the services environment, particularly at the regional and local level (or something similar) when using a commissioning framework.

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<sup>8</sup> Smith, R. and Merrett, A., 2018, *Competition Policy and Human Services: Where Theory Meets Practice*. Ensuring economic approaches incorporate the realities of experience, CHOICE and ACOSS, <https://www.acoss.org.au/wp-content/uploads/2018/09/ACOSS-Choice-Final-Report.pdf>

- The complexity and detail of procurement (purchasing), contractual and reporting requirements should be proportionate to the level of government funding and risk involved.
- The full cost of service delivery should be covered by the funding envelope. Costs such as administration, management and IT costs should be considered integral components of any project or service. Co contributions to the cost of service delivery should not be required. Funding should reflect the additional costs of delivering services in rural and regional locations.
- Funding processes should allow sufficient time for collaboration and partnerships to develop. Where possible, the purchasing element of commissioning should happen on a schedule telegraphed to potential participants well in advance of the purchasing occurring.
- In line with recommendations from the Productivity Commission<sup>9</sup>, contract terms should be set at seven years, and ten years for remote Aboriginal and Torres Strait Islander service delivery. Longer contracts provide greater certainty for organisations delivering services, and that certainty supports better service planning and the development of long term, stable relationships with people using the services.
- Government procurement decisions should be made in accordance with the Indigenous Grants Policy, and promote the self determination of Aboriginal and Torres Strait Islander peoples and communities. Community sector organisations should consider their capacity to deliver services to Aboriginal and Torres Strait Islander peoples and communities in line with the *Principles for a Partnership-centred approach for NGOs working with Aboriginal and Torres Strait Islander Organisations and Communities*<sup>10</sup>
- Price should not be the primary driver of a procurement process. Value for money is a better focus for commissioners. Commissioners achieve value for money when they find the best combination of cost, quality and sustainability to meet the needs of the community and service users.
- Criteria should be designed to focus on a provider's ability to improve outcomes (including outcomes which may only be achieved over the long term) for service users. Criteria should always include local knowledge and existing community connections.
- Not-for-profits providers are focussed on their core purpose, and often service remote localities and work with the most complex clients. They usually reinvest surpluses in service delivery, ensuring that funds invested remain in the service system. The additional value that not-for-profit providers represent should be appropriately valued in a procurement process.
- The independence of community organisations, and their role advocating on behalf of the people and communities they work with, should be safeguarded in funding processes. There should be no restrictions on community organisations advocating for law reform, policy change or program or service design or implementation, and there should be no restrictions on using government funding for that purpose.

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<sup>9</sup> Productivity Commission, 2017 *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*, No 85, Productivity Commission Inquiry Report, <https://www.pc.gov.au/inquiries/completed/human-services/reforms/report>

<sup>10</sup> ACOSS, 2013, *Principles for a Partnership-centred approach for NGOs working with Aboriginal and Torres Strait Islander Organisations and Communities*, ACOSS, Sydney <https://www.acoss.org.au/principles-for-a-partnership-centred-approach/>

## Managing the delivery of services to achieve defined outcomes via monitoring, evaluating and performance improvement.

Monitoring, evaluation and performance improvement must be essential elements of a Commissioning Framework. This section outlines a number of principles that should underpin the monitoring, evaluation and performance improvement of community sector organisations delivering services in a commissioning environment, informed by the literature and the perspectives of ACOSS members and stakeholders. It does not seek to provide detailed guidance on the conduct of monitoring, evaluation and performance improvement.

- **Proportionality** – the level of monitoring should reflect the level of risk associated with the delivery of the service. Low risk and lower cost projects and services should require less monitoring than higher risk or high cost projects and services
- **Clarity** – the outcomes that NGOs are accountable for should be clear and unambiguous, and agreed with the service provider.
- **Respect for the rights of service users** – monitoring and evaluation of services should respect the rights and interests of service users. Monitoring systems and evaluations should be designed to ensure that they do not interfere with the delivery of the service or expose client data to privacy risk.
- **Respect for the perspectives of service users** – the perspectives of the people that use a service should feature in the monitoring and evaluation framework, particularly their perspectives about the quality of the service being evaluated.
- **Respect for service delivery staff** – the perspectives of staff delivering a service on the ground should feature in the monitoring and evaluation framework.
- **Timely** – evaluation and monitoring systems and frameworks should be built and/or established at the outset of a project or when service delivery commences, or in the case of recommissioning, when the recommissioning occurs. While some changes to monitoring and evaluation systems along the way are necessary, commissioners should be careful not to move the goalposts on NGOs delivering a service.
- **Cost** – the costs of monitoring and evaluation should be considered a cost of the service, and included in the funding envelope.
- **Support for innovation** – systems should be built to ensure that innovation is supported, and that risk is managed well rather than avoided entirely.
- **Monitoring of financial performance** – the monitoring of the financial performance of a project or organisation should be kept to the minimum level required to establish the ongoing viability of the project and organisation. ACNC information should be used where possible in order to reduce duplicated reporting.
- **Government Stewardship** – a critical role for government is as system steward. As system steward, government's role extends beyond that of funder, to one where they are actively involved in shaping the service system so that services that meet the needs of the community are in place. In fulfilling this role, government must develop and deliver a service system improvement and support function, in partnership with the community sector.

- **Action Based Research** - Preference should be given to investing in action-based research, including for evaluation purposes, and to ensure that maximum benefit is returned to the communities the subject of evaluation processes, including local services and civil society leadership structures. Monitoring and evaluation should be a part of a development approach to improvement outcomes for communities and individuals, with transparency and accountability back to the public and communities affected.