



*cutting through complexity*

# Going Home Staying Home Post-Implementation Review

## 2015 Final Report

Department of Family and  
Community Services

KPMG HEALTH, AGEING & HUMAN SERVICES





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## Acronyms

Acronym	Explanation
ABS	Australian Bureau of Statistics
CSO	Community Service Organisation
FACS	Department of Family and Community Services
FAQ	Frequently Asked Questions
FTE	Full-time Equivalent
GHSB	Going Home Staying Home
HNSW	Housing New South Wales
JWA	Joint Working Arrangement
LGA	Local Government Authority
NAHA	National Affordable Housing Agreement
NCOSS	Council of Social Service of NSW
NDIA	National Disability Insurance Agency
NPAH	National Partnership Agreement on Homelessness
PB	Project Board
PIR	Post-Implementation Review
PoE	Panel of Experts
PSP	Public Social Partnership
PWC	PricewaterhouseCoopers
RAM	Resource Allocation Model
RAWG	Resource Allocation Working Group
SHS	Specialist Homelessness Services
SRG	Sector Reference Group

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## Executive summary

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The Going Home Staying Home (GSH) reforms have overhauled the funding and provision of specialist homelessness services (SHS) in New South Wales (NSW). They have ushered in a new era of service delivery with a greater focus on early intervention and integrated services for people who are homeless or at risk of becoming homeless.

Implementation of the reform has attracted considerable criticism particularly around the pace of reform and the outcomes of the procurement process. KPMG has been engaged to undertake an independent review of the development and implementation of the GSH reforms. The review has been overseen by the GSH Monitoring and Evaluation Advisory Group which has an independent Chair, Professor Eileen Baldry, and includes representation from the homelessness sector, consumer representatives, Department of Family and Community Services (FACS) and other NSW Government agencies. The New South Wales Ombudsman's office has observer status on the Group.

### Nature and Scope of Review

This Review is an evaluation of the implementation of the GSH reforms, over the period 1 July 2012 to 1 July 2014. The review is not an evaluation of the success of the reforms in improving outcomes for clients, but a Post-Implementation Review (PIR) of the effectiveness and appropriateness of the development and implementation of the following key elements of GSH:

- Reform timing and timeframes;
- Governance and stakeholder engagement;
- Service design and planning; and
- Procurement.

As such, this Review does not examine how well the GSH strategies addressed the particular problems that had been identified with the homelessness services system, nor does it consider the merits of particular policy decisions or responses that were taken during implementation of the GSH reforms. Instead, it is focused on the overall management and implementation processes around the four key areas outlined above. KPMG has flagged a number key issues that were identified in the PIR process that warrant close monitoring and further consideration but could not be explored with the context of this Review. These issues will, however, be important components of the GSH Monitoring and Evaluation (M&E) strategy being developed by FACS.

The focus of the PIR is on identifying the lessons learned from the reforms to date to inform the development of ongoing strategies for the SHS Program and future reform efforts of this kind in human services more broadly. Transition activities post awarding of the tender outcomes are not being considered in this Review, but will need to be considered as part of future M&E activities.

FACS was required to provide a range of documentation to Parliament following the motion passed in the Legislative Council on 23 October 2014. The Parliamentary Order covers a wide range of documentation related to the tender process including the new service contracts, transition activities, and staffing impacts which are outside the scope of this review. The full range of documentation provided to Parliament by



FACS has not been provided to KPMG and instead, we have relied on the information and material provided by FACS for the purposes of the PIR in line with the scope and objectives of this Review.

## Evaluation purpose and objectives

The objectives of the GSH PIR are to provide a factual and transparent account of what happened during the GSH reform process, up to and including tender and procurement; to assess the appropriateness and effectiveness of the reform design, planning, and implementation processes; and to identify lessons and opportunities for continuous improvement that will benefit future processes and reforms.

## Review activities

KPMG undertook the review in five key stages:

1. Project initiation, which involved meetings with key FACS staff and agreement on scope and timeframes;
2. Review framework, which included preliminary document review, development of the stakeholder engagement plan and review framework;
3. Data collection and analysis, involving collection and analysis of program data, background literature, and the range of communication, service planning and procurement documents produced by FACS;
4. Stakeholder consultation, comprising interviews with government stakeholders and other relevant individuals, via teleconference and face-to-face as well as survey of specialist homelessness services providers; and
5. Reporting, being the collation of information from all stages of the project into a final review report.

## Overview

Reform of the size and scale that has been achieved under GSH was never going to be easy, particularly for a sector that had not previously been exposed to major reform, and given the timeframes that were established for the project. The decision to open up funding for homelessness services to a competitive bidding process ultimately drove an outcome where there were clear winners and losers. This is the aspect of reform that has attracted the most criticism.

A key issue for consideration in the review is whether implementation of the reforms could have been better managed and implemented to avoid some of the challenges experienced by the sector and other stakeholders involved in the change.

The reforms were implemented in a dynamic and fluid environment, with uncertainty around future funding from the Commonwealth under the National Partnership Agreement on Homelessness (NPAH), the amalgamation of housing and homelessness services into FACS, the pursuit of a localisation agenda aimed at giving more authority to the Districts, and changes in ministerial responsibility for FACS during the implementation period. All these factors influenced the overall approach that was adopted and some of the key decisions that were made during the development and implementation of the GSH reforms.

## Reform Timing and Timeframes

### Summary Findings

- FACS implemented a major and unprecedented reform, largely within the timeframe it had been assigned. However, meeting the timeframe required compressing the later stages of the process. This had the following adverse impacts:
  - Planned engagement activities were curtailed, affecting relationships between FACS and the services, clients, and the community
  - Decision making was centralised
  - Issues with information accuracy occurred
  - Uncertainty over the tender outcome impacted services
- With greater engagement of stakeholders, and more dispersed decision making, stakeholders could have been led on the journey more, which may have supported increased buy-in from them and better supported FACS to manage the change process. As it was, there was little time between the stages for reflection or the type of organic reform that might have occurred had services had more time to process and respond naturally to the information they were receiving.
- Other simultaneous processes, including the roll-out of a localisation strategy, a recruitment freeze, and changes in FACS ministerial arrangements resulted in significant resource constraints. FACS staff reported working long hours and experiencing high levels of stress over long periods of time in an attempt to meet the timelines they had been given. Sector staff also reported experiencing stress associated with the tender processes and uncertainty over future funding arrangements.

A realistic timetable with appropriate sequencing of key activities is crucial for successful implementation of any major reform. For a reform of this scale and complexity, allowing a two-year period for implementation (from release of the Discussion paper in July 2012 to release of final tender outcomes in June 2014) could be considered ambitious but achievable.

The two year timeframe for the reform was set out when the reforms were announced, in July 2012. Table 0-1 below shows the key dates for high level milestones identified with the GSH reforms.



Table 0-1: Key dates for GSH implementation

Date	Reform Direction and Governance	Research, Development, and Planning	Prequalification and Tender	Transition and Contracting
<b>2012</b>				
July 2012/August 2012	<ul style="list-style-type: none"> <li>GSH Consultation Paper 'Future Directions for Specialist Homelessness Services' released (10 July 2012)</li> <li>17x consultation sessions held (July/August 2012)</li> <li>Written submissions received (July/August 2012)</li> </ul>			
August 2012	<ul style="list-style-type: none"> <li>Sector Reference Group and Panel of Experts established (SRG - 10 August 2012)</li> </ul>	<ul style="list-style-type: none"> <li>Working Groups established (August 2012 onwards)</li> </ul>		
September 2012		<ul style="list-style-type: none"> <li>Industry Partnership development commences</li> </ul>		
October 2012	<ul style="list-style-type: none"> <li>GSH Consultation Summary Report released</li> </ul>			
November 2012		<ul style="list-style-type: none"> <li>'Streamlined Access' approach developed (Nov 2012 - Mar 2013)</li> </ul>		
December 2012		<ul style="list-style-type: none"> <li>Service Delivery Framework under development</li> </ul>		
<b>2013</b>				
January 2013		<ul style="list-style-type: none"> <li>Industry Partnership established (January 2013)</li> </ul>		
February 2013	<ul style="list-style-type: none"> <li>GSH Reform Plan developed and released (1 February 2013) – <b>delayed from prior to Christmas</b></li> <li>15x District forums on the GSH Reform Plan were held (February 2013)</li> </ul>	<ul style="list-style-type: none"> <li>'Streamlined Access' approach developed</li> <li>Service Delivery Framework finalised and released in March 2013</li> </ul>		
March 2013				
April 2013		<ul style="list-style-type: none"> <li>Practice guidelines – Version 1 released (April 2013)</li> </ul>		
May 2013		<ul style="list-style-type: none"> <li>15x Service Design forums held</li> </ul>		
June 2013		<ul style="list-style-type: none"> <li>Innovation Fund EOI process and funding</li> </ul>		
July 2013				



Date	Reform Direction and Governance	Research, Development, and Planning	Prequalification and Tender	Transition and Contracting
August 2013		<ul style="list-style-type: none"> <li>Industry Development Fund disbursed</li> <li>Pricing approach developed and approved</li> <li>Service planning tools and guidelines developed</li> <li>Quality Assurance System drafted</li> </ul>	<ul style="list-style-type: none"> <li>State-wide procurement approach developed and procurement plan approved (July 2013 – August 2013)</li> </ul>	
September 2013		<ul style="list-style-type: none"> <li>District service planning workshop, planning commences (18 September 2013)</li> <li>Resource Allocation Model completed (25 September 2013)</li> </ul>	<ul style="list-style-type: none"> <li>Application period for SHS Prequalification Scheme opened (23 September 2013)</li> </ul>	
October 2013		<ul style="list-style-type: none"> <li>District service planning proposals submitted (18 October 2013)</li> <li>149 Tender Service Packages Descriptions developed (October 2013)</li> </ul>	<ul style="list-style-type: none"> <li>Application period for SHS Prequalification Scheme closed (18 October 2013)</li> </ul>	
November 2013		<ul style="list-style-type: none"> <li>Practice Guidelines – Version 2 released (November 2013)</li> </ul>	<ul style="list-style-type: none"> <li>Tender briefing sessions held around the state (1 November 2013)</li> </ul>	
December 2013			<ul style="list-style-type: none"> <li>GSHS Hotline established and goes live (18 November 2013)</li> <li>State-wide tender application period opened (27 November 2013)</li> </ul>	
<b>2014</b>				
January 2014			<ul style="list-style-type: none"> <li>GSHS SHS Select Tender – Application Help Guide (Version 2) released</li> </ul>	
February 2014			<ul style="list-style-type: none"> <li>State-wide tender application period closed (7 February 2014) – <b>Extended from 28 December</b></li> </ul>	
March 2014			<ul style="list-style-type: none"> <li>Inner City tender application period opens (19 March 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Sector Employment Assistance Scheme (SEAS) Advisory Group commenced</li> </ul>
April 2014			<ul style="list-style-type: none"> <li>Inner City tender application period closes (28 April 2014)</li> <li>State-wide tender assessment finalised (29 April 2014)</li> </ul>	
May 2014			<ul style="list-style-type: none"> <li>Inner City tender assessment finalised</li> </ul>	<ul style="list-style-type: none"> <li>Sector Employment Assistance Scheme commenced (1 May 2014)</li> </ul>



Date	Reform Direction and Governance	Research, Development, and Planning	Prequalification and Tender	Transition and Contracting
			<ul style="list-style-type: none"> <li>Contract Service Package Descriptions finalised</li> </ul>	
June 2014			<ul style="list-style-type: none"> <li>Tender announcement (13 June 2014) – <b>Delayed from May 2014</b></li> <li>Service Support Fund (SSF) announced (26 June 2014)</li> <li>Inner City restoration approved by Secretary (6 June 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Guidelines for ‘Transition of Clients Properties and Services’ published (1 June 2014)</li> </ul>
July 2014			<ul style="list-style-type: none"> <li>First round of SSF applications due (31 July 2014)</li> </ul>	
August 2014			<ul style="list-style-type: none"> <li>Secondary procurement for the 4 packages being re-tendered opened (19 August 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Unsuccessful services wind down and transition commenced (1 August 2014)</li> <li>DHIGs commenced establishment (as of)</li> </ul>
September 2014			<ul style="list-style-type: none"> <li>Secondary procurement for the 4 packages being re-tendered closed (22 September 2014)</li> </ul>	<ul style="list-style-type: none"> <li>All contracts signed (1 November 2014)</li> <li>Service delivery schedule (30 September 2014)</li> </ul>
October 2014				<ul style="list-style-type: none"> <li>Completion of unsuccessful services winding down and transition completed (31 October 2014)</li> </ul>
November 2014		<ul style="list-style-type: none"> <li>Practice Guidelines – Version 3 released (3 November 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Successful providers for 4 packages that were re-tendered announced (4 November 2014)</li> <li>SSF payments commenced (1 November 2014) for first round</li> <li>SSF applications due for second round</li> </ul>	<ul style="list-style-type: none"> <li>New services on board (1 November 2014)</li> </ul>
December 2014				<ul style="list-style-type: none"> <li>Sector Employment Assistance Scheme support closed (31 December 2014)</li> </ul>

Source: FACS documents

The review found that the service design/planning and procurement phases were particularly compressed. Considerable time had been spent on settling the overall reform directions with the release of the Reform Strategy in February 2013 (more than six months after the release of the Discussion Paper in July 2012) and the development of the new Resource Allocation Model (RAM) which was completed in September 2013. Service planning occurred over a two month period and the tender process itself commenced in November 2013 (more than a year into the process) which effectively left about six months to complete full implementation.

There were a number of delays along the way in particular around the tender process. Putting the tender out over the Christmas period would generally not be ideal and the delays in announcing the tender outcomes caused considerable uncertainty and anxiety for service providers. Further delays were caused by a change of NSW Premier and Minister for FACS, with additional time being required for comprehensive briefings on the GSH reforms. The delays also placed pressure on FACS staff to “push ahead” which contributed to some mistakes being made and constrained their ability to communicate and engage effectively with sector stakeholders as the pace of the process accelerated.

There were also several other key issues affecting FACS at the time. The GSH project did not have a secure budget for the full two years of the project, with an NPAH underspend approved for resourcing the project for the first year only. This, coupled with a staffing freeze, resulted in a heavy reliance on short-term contractors to provide the required resources. This contributed to a high degree of turnover, which led to resource instability and a loss of staffing continuity throughout implementation. FACS was also rolling out a localisation strategy simultaneously, resulting in a new structure, changing roles, and stronger local authority at the District level. Regardless of the benefits of the localisation strategy, it nonetheless meant more change for staff and the sector, and created an unstable local environment in which to introduce GSH.

Despite this, the announced deadline dictated that reform continue at pace, which it did. There are potential advantages to moving quickly. The momentum for change can be maintained and opposition can emerge and be managed. A longer process might not have avoided the issues that arose but simply stretched the issues over a longer timeframe and delayed the delivery of new services to areas where needs were previously unmet. It could even have compromised the process – if the reforms had dragged on and services became disengaged, for example. As such, there were grounds for making the decision to press on.

However, in this case, it resulted in centralisation of decision making for greater efficiency, which came at the expense of the amount of stakeholder engagement that was originally intended, in terms of the number and type of stakeholders who could be engaged and the level of that engagement. In pressuring services to respond to deadlines, particularly in response to tender and procurement processes, stakeholders said that they experienced real problems, with the pressures leading to reported stress and burnout among staff as they tried to maintain client services and respond to the GSH reforms simultaneously. Stakeholders also reported negative impacts on clients, including that clients were discouraged from seeking much needed help and/or that the level of service that could be provided to clients was reduced. It also meant that there was little down time between the stages – for example, between the completion of service planning and the commencement of tendering, which left no time for reflection, comment, or the type of organic reform that might have occurred had services had more time to process and respond naturally to the information they were receiving.

Overall, most of the stakeholders that were consulted considered the reform timeframes for GSH to be unrealistic given the scale and complexity of the change required and the lack of experience of some within

the sector with competitive tendering processes. Indeed, sufficient attention was not paid to this diversity and the lack of experience on the part of some stakeholders. While having more time may not have changed the outcome of any process, it might have enabled people to be ‘brought along’ more, as things such as cultural change and organic reform took effect. This may have had a value in terms of the quality and robustness of the relationships between services, and between FACS and services, that the new reformed system started with.

#### **Lessons learned**

- The extent to which services are ‘brought along’ as part of a major reform process has a value in and of itself – for FACS, services and for clients. Timeframes that do not allow for developmental processes in situations like this run the risk of compromising future relationships with services, clients and the community.
- Building leeway into a timeline will allow for the kind of contingencies that will inevitably occur. If early stages of the reform plan do not run to time, then consideration should be given to extending deadlines to avoid creating undue pressure on staff and the sector.
- An initial assessment of an organisation’s and sector’s preparedness to embark on a large-scale reform process may help to identify any gaps in resourcing, structure or staff at the outset and plan to address these in such a way as to support a smoother and more effective change process.

## **Governance and Stakeholder Engagement**

#### **Summary Findings**

- FACS compiled a diverse range of experienced stakeholders to advise them on key aspects of the reforms. The involvement of consumer representatives on the Panel of Experts is notable and commendable.
- Governance arrangements permitted high quality input from representatives of the sector, relevant experts, and FACS District staff. These individuals were influential at key points of the process.
- The use of confidentiality agreements for peaks at some stages during the process allowed early discussion of issues, but created mistrust and suspicion in the minds of some stakeholders as to what the peaks knew and when. Peaks played an important ‘go-between’ role between FACS and the sector, and greater freedom to share information would have promoted more transparent consultation, open debate, and trust.
- FACS put considerable effort into communicating with the sector throughout the GSH reforms. The vast majority (86 per cent) of survey respondents considered that they had an excellent or good understanding of the GSH reforms, and why FACS wanted to make the changes. Peak bodies played an important role in disseminating information to their members.
- FACS could have done more to communicate where and in what ways stakeholder feedback had been incorporated into the reforms, to provide visibility of where input had and had not been actioned, and the reasons for those decisions.

- Some stakeholders found information confusing, particularly in terms of being conflicting and received late. A section of stakeholders also considered that the communications were not genuine or were dishonest in some way – for example, some expressed the perception that decisions had already been made and consultation was just for show. Against this, some stakeholders considered that the process exhibited many elements that could be considered ‘ideal’ for an effective model of community engagement.
- When the tender process began, communication became substantially more circumscribed, due to probity concerns. This had largely been unexpected by the sector and created distrust and suspicion as a result.

### *Governance*

The governance arrangements set the overall framework for the project, guiding success and helping to create transparency and confidence in decision making. Best practice governance is generally characterised by clarity around roles and responsibilities, appropriate accountabilities and controls, in particular decision making processes, and involves participants with the right skills and capabilities.<sup>1</sup>

The review found that the development and implementation of the GSH was supported by the establishment of an appropriate range of governance mechanisms including:

- The Project Board;
- The Panel of Experts (PoE);
- The Sector Reference Group (SRG); and
- Various working groups.

The governance arrangements were put in place early in the development of the reforms and reflected an openness and willingness to involve a range of different stakeholders and perspectives. Each of the groups had clearly established terms of reference which set out their respective roles and responsibilities. Overall, the review found no fundamental issues of concern with the governance of the reforms, although earlier identification and management of risks and communication of key decisions could have occurred.

The Project Board, working with the responsible Senior Executive members, operated effectively to deal with decisions and decisions were made in a timely way. Some concerns were raised about communication of decisions, especially between FACS central office and the Districts, which could have been better handled through greater involvement of District representatives throughout the process.

The SRG comprised six peak organisations with a focus on homelessness that were considered to be broadly representative of the majority of homelessness providers. Members of the SRG were generally positive about their role at the outset of the process and viewed their involvement as an opportunity to be part of a highly collaborative and consultative process. However, as the process moved into the procurement phase, members felt disenfranchised and were unclear about their role and the Government’s intentions. This seems to have mainly been driven by the way in which the procurement processes were handled, in

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<sup>1</sup> Department of Treasury and Finance (Victoria), Project Governance Investment Lifecycle and High Value/High Risk guidelines, 2012

particular the application of probity standards to the sharing of information. It may also have been a factor of a lack of information provided to peak agencies regarding where and how the feedback from peaks was used in decision making processes. More information on this from FACS would have made it clearer where peaks had influenced decisions, and why their input had not been acted on in other cases.

Sector stakeholders were generally positive about the involvement of the peaks in the process. A number raised concerns that the peak organisations were not able to adequately represent the interests of their constituents in the process because of the tension in their role between representing clients on one hand, and member agencies on the other. This raises an interesting question about the role of industry peak bodies in co-designing reform processes. In this process, they were expected to take on a number of different roles – representing the interests of both clients and providers, as well as bringing their own knowledge and expertise to deliberations.

Overall, the review found that the peaks were generally able to reconcile these various interests, with several providers commenting positively about the role of the peaks in the reform process through the GSH survey conducted for this Review. While respondents to the survey indicated they were most likely to have received information about the reforms, and provided feedback, through FACS mechanisms, a large number also received information from peak agencies, many of which produced and disseminated detailed information products for their members regarding the reforms. Overall, services were more satisfied with the information they received from peak organisations, indicating the vital communications function they played in these reforms.

The membership of the Panel of Experts was appropriate and drew on well recognised academics and experts in the area with high levels of credibility and expertise. Consumer representatives were also included on the Panel to ensure the voice of consumers was heard in the process. In general, the Panel of Experts was seen to have made a valuable contribution to the initial design of the reforms but, as with the SRG, had no involvement in the service package planning or procurement processes.

### *Stakeholder Engagement*

Stakeholder engagement was a key element of the design of the GSH reforms and FACS invested considerable time and effort in engaging with key stakeholders to involve them in the reforms. It appears FACS was able to gain a high level of commitment to the reforms by stakeholders in the initial phases but that this was not able to be sustained throughout the reform process. A number of stakeholders felt disenfranchised, particularly as the reforms moved into the procurement phase and numerous concerns were raised about the lack of clear communication about reform directions.

By releasing a Discussion Paper at the outset, FACS provided a broad range of stakeholders, including interested members of the public as well as more directly vested stakeholders, the opportunity to contribute to shaping the reforms. Most of the submissions supported the need for reform. As the reforms progressed, stakeholder engagement was then managed through other forms of communication with the sector, including fact sheets, forums hosted by District staff, Newsletters, updates on the GSH website, and various other mechanisms. FACS also engaged in regular communication with District staff, including through teleconferences, webinars and video conferences, and forums.

The main issues with stakeholder engagement arose during the procurement process. The procurement process was conducted according to strict probity guidelines which had the effect of excluding particular groups from key decision points along the way. This is entirely appropriate from a probity point of view and is in line with best practice procurement activities. However, it is likely that stakeholders believed that

they would be more closely involved in this phase than would otherwise be expected. Managing stakeholder expectations about procurement processes was clearly a challenge and is a future reform lesson.

It became apparent through the review that a number of stakeholders, including those involved from the outset, did not fully understand the potential impact of the reforms and the level of transformation that Government was seeking in the process. While there was considerable information provided, Government did not explicitly outline potential adverse impacts and many stakeholders do not appear to have anticipated the final outcomes.

This supports the need for new thinking about procurement methods for human services that allow more active engagement of the parties in the process, balancing the advantages of transparency and information sharing gained by highly collaborative design processes with the need to ensure appropriate probity processes are in place.

#### **Lessons learned**

- Governance processes that aim to be inclusive of a range of stakeholders are able to better support the expression of diverse views. However, there are advantages in having one group with clear responsibility for the whole-of-system outcomes of myriad decisions. It is desirable to aim for clear lines of responsibility for decision making, with transparency in terms of the inputs and decisions, and that allows for line of sight to whole-of-system consequences.
- The benefits of sharing potentially sensitive information with some key players on a confidential basis should be weighed against the risks of sharing information under confidential privilege – which may include reduced engagement of a broader audience, and limiting the ability of peak agencies (in this case) to fulfil their responsibilities to members and, ultimately, clients.
- The highly collaborative design approach adopted during some stages of the GSH is not necessarily familiar to people. Future similar reforms may benefit from embedding a cultural change approach that includes an educational and developmental component, to support stakeholders to engage and act differently through the process.
- Many stakeholders identified a lack of understanding of where and to what extent their input had been understood and taken into account in the GSH reform process. FACS could have done more to communicate where and in what ways feedback had been incorporated into the reforms, to provide visibility of where input had and had not been actioned, and the reasons for those decisions.
- An explicit, specialised change management framework may also have helped FACS to understand where services were starting from, and work with them more effectively to get to where they needed to be.
- For future reforms, earlier thinking, debate and discussion is needed around alternative procurement approaches for human services that build on highly collaborative service design and provide a more coherent and consistent approach.
- Where traditional NSW Government procurement methods are applied, it would be better to conclude the collaborative design phase before starting procurement, with a clear demarcation between the two – which is known from the outset. This may avoid confusion, and potential negative flow on effects.

- More explicit discussion or exploration of the potential downsides of the reforms – in terms of losses of agencies, clients, or jobs may, in the long-run, promote good reputational and relationship outcomes.

## Service Design and Planning

### Summary Findings

- The directions being pursued in the GSH reforms are based on national and international best practice and evidence about what works best in addressing the problem of homelessness.
- Service planning was informed by considerable data analysis and evidence about the level of need [through the Resource Allocation Model (RAM)], taking into account the different levels of social disadvantage, rates of domestic and family violence, and other population characteristics that determine the need for and costs of providing services to particular client groups or in particular geographic areas.
- There was a strong collaborative approach between Districts and FACS central office and the service planning process itself had clear decision making points with clearly defined and allocated roles and responsibilities.
- There was considerable consultation and involvement of stakeholders in the development of the Service Delivery Framework for the GSH reforms. However, providers were not as involved in the development of the new service packages by Districts (due to probity concerns and time constraints) and stakeholders began to feel left out of the process at the service planning stage.
- The shared approach to service planning that devolved responsibility for service planning to Districts provided for responses more closely linked to local needs but also resulted in a lack of uniformity of approach with the number and design of service packages varying between similar size Districts.
- The new service packages were more easily able to be accommodated by larger providers that were better placed to provide an integrated range of services. It was also evident that service planning reflected the need to streamline and consolidate funding for homelessness services.
- Given the importance of mainstream services like health, education and housing in addressing problems with homelessness, more emphasis could have been placed in the service design and planning process on addressing the intersections with mainstream services.

Preparing new service plans and redesigning services was integral to achieving the policy objective of the GSH reforms to help shift services to focus more on early intervention and provide an integrated and flexible range of services to people who are homeless or at risk of becoming homeless.

Good service planning and design relies on the use of appropriate data on service need and usage, an understanding of the market and any supply constraints, evidence about best practice service models and alignment with Government's policy objectives.

The review found FACS' approach to service planning and design to be generally sound. It was clearly based on a desire to shift away from the programmatic service delivery models that had existed toward a more integrated client centred approach that was more responsive to the needs of priority client groups including young people, men, women, and families. These new integrated service packages were more easily able to

be accommodated by larger service providers (as opposed to small specialist providers, particularly women's service providers and Aboriginal organisations). As such, the approach contributed to a consolidation and rationalisation of services at the procurement stage. This is discussed further in the procurement section.

The service planning and design process was underpinned by the development of a Resource Allocation Model (RAM) which had been developed for FACS by Deloitte Access Economics. Essentially, the RAM produced a distribution of budgets amongst the Districts linked to population size, demographic characteristics and need for homelessness services.

The RAM indicated the need for a degree of funding redistribution and in particular that funding should be shifted away from inner city Sydney to other areas experiencing high need for services. The RAM methodology did not consider cross-border flows; it was also limited by the asset base, which was fixed in the short-term. Because of this, as well as the scale of redistribution proposed by the RAM, the budgets allocated to Districts for the purpose of planning were based on around one third of the redistribution indicated by the RAM. However, even one-third of the proposed redistribution proved difficult to implement in the inner city Sydney area (where most of the funding was to be redistributed from) and the difference in funding was ultimately re-instated to the area.

Detailed planning for the reforms was undertaken at the District level, in line with the localisation agenda. District staff produced service proposals which were then translated into the service tender packages by FACS central office and used in the procurement process. While Districts were arguably better placed to understand and respond to the different needs of their local communities, this approach resulted in a lack of uniformity of approach. The process also relied on Districts having a good understanding of their local needs and service gaps and, due to recent District structure and staffing changes, there were varying levels of readiness to undertake this function effectively across all Districts.

The major issue that arose in terms of concerns with the service planning and design process was around timing. The GSH reforms involved almost total system redesign and most Districts (and other stakeholders) felt that sufficient time was not made available for this phase of the project. The treatment of properties during the reform process proved particularly challenging for Districts in the timeframes allowed. Consideration of properties was not factored into the planning process early enough and there was limited information available to Districts about the number and type of properties and the services to which the properties were attached at that time. This led to the need for multiple revisions to service packages which could have been avoided with better baseline information, early planning and more time.

#### **Lessons Learned**

- Distributing resources based on need is a well-accepted way of promoting greater equity of access to health and human services, and ensuring that services can be provided closer to where people actually live. The RAM was an integral component of this process.
- While there was a phasing in of the level of funding redistribution indicated by the RAM, the experience with the restoration of funding for inner city Sydney suggests that the level of adjustment was too significant to be managed in the required timeframe. Other factors also needing adequate consideration include the need to build capacity in areas before shifting funds/services, providing a minimum level of infrastructure, and having a deeper understanding of the reasons clients access services in the inner city, including availability of transport.

- The collaborative nature of the planning process was a positive element of the GSH reforms and should be considered for future reforms of this kind to ensure that local needs are appropriately considered.
- Effective service planning is critical in getting the right outcomes in a major reform process like the GSH. Adequate time should be allowed for service design and planning for major human services reforms.
- More time for engagement with stakeholders on the broad service models that were being considered before going to tender as part of the service packages could have better prepared the sector for procurement phase of the project.
- Innovation Funds are useful in encouraging the adoption of change but sufficient time is required to develop and implement innovative approaches, particularly where the level of experience of members with a competitive tender is very varied. As the Innovation Fund could not be commenced until the Reform Plan had been released, this did not allow sufficient time.
- Locally-based planning exercises will inevitably result in a diversity of approaches. While this provides the opportunity to test different approaches in meeting client needs, it can be seen as lacking in consistency and may create inequity between geographical areas.
- There was a strongly collaborative design element to the initial development of the service delivery framework for the GSH which should be encouraged for future reforms of this type. However, expectations need to be carefully managed so that all stakeholders understand their roles/responsibilities and the potential impacts once service planning processes that are used to inform a procurement exercise get underway, to avoid disenfranchising stakeholders as part of the process.
- Further work is required on the development of alternative procurement approaches for human services which can be more faithful to the concept of highly collaborative design, and co-design, while still allowing the benefits of competition to be realised as well as adherence to probity requirements.
- Given how critical other services like mainstream housing and health (and in particular mental health and drug and alcohol services) are in addressing problems of homelessness, more attention could have been paid to linkages between SHS and non-SHS services in the reform process.

## Procurement

### *Summary Findings*

- The GSH procurement process received considerable criticism from stakeholders. Despite this, it achieved its aims of reallocating resources based on need and shifting resources towards evidence-based and cost effective models, with more consortia to deliver services.
- FACS did attempt to support the sector through the process leading up to and including tendering through the establishment of an Industry Development Fund, procurement support for small organisations and Aboriginal organisations, and limits on the number of new entrants that were eligible to tender – each with varying degrees of success.

- Although FACS was aware that the sector was not experienced in competitive tendering, the variation in experience, and inexperience of some players, was underestimated by FACS. Greater market capability analysis prior to the development of the GSHS reforms would have provided FACS with vital information for the procurement process.
- Concerns expressed by the sector regarding the impact of the tight timeframes on the procurement process and the resulting pressure on services to meet deadlines are well founded, particularly for smaller less well-resourced organisations.
- The initial timing of the state-wide tender during December was impractical and failed to take into account the scale of the change FACS was imposing on the sector; the lack of experience of some within the sector with competitive tendering; and the staffing demands and resources available to organisations, particularly in small organisations.
- The prequalification provided FACS with invaluable information on the state of the homelessness sector, and created a readily available pool of organisations for FACS to access and contract directly with should any providers of the 157 service packages withdraw from providing those services over the life of the SHS program. However, this additional step exacerbated already tight time pressures.
- Given the degree of probity risk associated with such a large scale procurement project, the probity processes that FACS put in place were appropriate. However, this contributed to a large degree of mistrust and suspicion with the process and alternative approaches that can preserve some of the values of collaboration and consultation need to be considered.

The main impacts and criticisms of the GSHS reforms have related to the procurement process. In terms of the overall process, this Review found FACS conducted the procurement process in accordance with the New South Wales (NSW) Government’s Procurement Policy Framework. While not a detailed probity audit, this Review found no reasons to consider there were any probity concerns raised by the processes adopted.

The outcomes of the process for determining funding arrangements for specialist homelessness services across the state is summarised in Table 0-2 below.

*Table 0-2: Summary key funding and service data, 2013-14 (pre-GSHS) and 2014-15 (GSHS)*

	2013-14	2014-15
<b>SHS Program grants</b>	\$134m	\$148m
<b>Total SHS contracts</b>	336	157
<b>SHS organisations</b>	201	188 – 76* as lead and 147 as partner (services can be both)
<b>Properties</b>	More than 1,300	More than 1,400
<b>“Small” providers*</b>	75% of services received less than \$500K**	34% of lead providers will receive less than \$800K pa

	2013-14		2014-15	
	No.	% of total	No.	% of total
<b>Faith-based organisations*** – no. of organisations</b>	36	18%	28 (17 as lead, 11 as partner)	15%
<b>Faith-based organisations – share of funding</b>	<b>43%</b>		<b>46%</b>	

Source: FACS data

\* Note: This number takes into account lead providers of all service packages for which procurement has closed at the time of publication of this document, including from the state-wide, inner city, and inner city restoration procurement processes.

\*\* Information is not directly comparable, as under GSH FACS only holds information on the 76 lead agencies, not the 147 partner agencies, many of which would be smaller providers.

\*\*\*Faith-based organisations based on the following criteria: Provider name demonstrates obvious religious affiliation OR search of publicly available information indicates religious affiliation or orientation.

### Impacts on Client Numbers

Historical client data (broken down by client group) is only available for 2011-12. Table 0-3 below shows the estimated impacts on particular client groups under the reforms.

Table 0-3: Client Numbers pre and post GSH Reforms

Client groups	2011-12	2014-15 (Forecast)
Young people	15,191	15,600
Men	9,831	8,600
Women	11,305	11,900
Families	15,778	17,900
<b>Total clients</b>	<b>52,105</b>	<b>54,000</b>

Source: AIHW and FACS data

The procurement process under the GSH reforms essentially involved re-commissioning the entire budget for homelessness services through a two stage competitive tendering process: a prequalification scheme and select tendering stage. FACS did consider alternative approaches, such as direct negotiation, which were preferred by some SRG members. However, a decision was ultimately made to adopt a modified competitive tender approach, with the number of new entrants constrained to reduce impacts on existing providers. This review does not consider the merits or otherwise of competitive tendering processes for

these types of services. However, it does highlight some of the challenges and lessons learned in pursuing market driven policies in the human service sector.

Criticisms from some stakeholders related to the two stage nature of the process. While it is understandable that providers found this onerous, the SHS Prequalification Scheme did allow FACS to gather market intelligence and to contract more easily with providers in the event that existing services contracts expired or changed.

The greater issue was that the level of transformation, particularly the drop in the overall number of contracts – from 336 to 157 – was not anticipated by many in the sector, despite the Government signalling that a reduction in the number of contracts was an expected outcome of the competitive tendering process in the GSH Reform Plan. While there was considerable information provided, Government did not explicitly outline potential adverse impacts and many stakeholders do not appear to have anticipated the final outcomes.

The impact of the process on smaller providers has received considerable criticism. There is a lack of directly comparable data on service size, due to the fact that FACS only holds data on the lead agencies (n=76) and not partner agencies (n=147), which makes it difficult to understand the effect of the reforms on services of different sizes. However, it is clear that larger service providers found it easier to accommodate the tender process, and that many smaller providers struggled with the process. There was assistance with tendering for Aboriginal and small organisations, and the Innovation Fund and Industry Development Fund initiatives assisted service providers to adapt to the new reform directions. However, stakeholders suggested there had been insufficient time provided for these initiatives to be adopted widely. Overall, small services that chose not to partner with a larger provider generally found it difficult to compete for ongoing funding.

This highlights the importance of the overall readiness and preparedness of service providers to participate in a procurement process of this kind, as differential readiness may have advantaged or disadvantaged particular types of organisations. This relates to both their capacity to respond to the tender process as well as undertake reforms needed to position themselves to participate, for example by forming consortia and partnerships with other organisations.

It also illustrates the value of incorporating localised information into the decision making process. In some cases, small services may be too small to be realistically viable, and larger services may well be able to offer a greater breadth of services to clients – which may better serve the client. However, some smaller services would have offered specialist services and/or been known for good, quality work in the community. Closer engagement with FACS District staff who have on-the-ground experience with the sector and relationships with providers would have increased the information available to decision makers to further support the differentiation of a small, unviable service from a small, specialist service. This engagement was curtailed due to timing constraints of the service planning stage, though District staff were included in the Technical Assessment Teams and on the Executive Panel during the tender assessment process.

A key criticism from external stakeholders about the procurement process was the lack of transparency of how the funding outcomes came about. This has led some stakeholders to conclude that outcomes, such as any loss of smaller services from the system that may have occurred, were pre-ordained, and unfair – more than 60 per cent of survey respondents thought that the outcomes for small and medium sized services were not very fair or not fair at all, and 50 per cent considered this to be the case for women's services in particular. However, survey respondents also considered that there was not good visibility of

how the decisions were made and who made them. As such, in reality, it would be hard for services to judge whether the outcomes were fair or not – due to the lack of transparency of the process. On balance, the process is considered to have been largely not transparent, rather than not fair, as services have not had access to the information they would have needed to make that judgement.

Some services expressed the view that the competitive tendering process was not in alignment with the cooperative philosophy of the sector, and undermined relationships between agencies. Some stakeholders also indicated that the tender process negatively impacted on clients, as scarce resources in some services were directed towards the highly resource intensive activities of tendering and procurement. Some services also indicated that they were reluctant to take on new clients as they did not know whether they were going to receive funding, which also would have negatively impacted on clients. The relative merits of different tendering mechanisms, and the appropriateness of each within the human services, may be an issue for further consideration in the context of any future M&E activity.

In summary, these issues highlight the importance of engaging effectively and preparing providers to respond to such a major change, particularly for a sector that has been accustomed to operating on an open and collaborative basis. Overall, the review considers that more market readiness activities could have been undertaken to prepare the sector for the scale and extent of reform that occurred. While this may not have averted the criticism of the final outcomes, it could have helped engender greater understanding about the potential impacts – for both services and clients.

#### **Lessons Learned**

- When undertaking a similar major reform, in-depth market capability analysis and market sounding should be undertaken prior to the design of procurement processes.
- Undertaking direct modelling of the likely outcomes of the procurement process and explicitly communicating what these likely outcomes might be would have better conditioned the sector for the eventual outcomes.
- A similar prequalification process to that undertaken in the GSH reforms should be considered. However, increasing the time between holding the prequalification scheme and select tender stage would reduce the burden and time pressures on service providers.
- When scheduling timeframes, it is important to consider: the maturity of the sector and its capability to meet those timeframes; the degree of change from ‘business as usual’; and how much time would reasonably be required for service providers to develop innovative service packages and partnership agreements.
- Scheduling around the Christmas/New Year holiday period should, where possible, be avoided.
- New thinking on alternative procurement approaches is needed so that the benefits of co-design are not lost while still meeting probity concerns (Scotland and the United Kingdom’s experience with Public Social Partnerships provide a useful reference point in this regard).
- Where probity processes need to be implemented, these should be supported by clear communication processes to ensure that all parties are aware of the importance of probity and what can and cannot be achieved.

# 1 Introduction

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Homeless people and those at risk of homelessness are among key priority groups for the Department of Family and Community Services (FACS). FACS funds a network of specialist homelessness services (SHS) that helps more than 51,000 people in NSW each year.<sup>2</sup>

The Going Home Staying Home (GSHS) reform of specialist homelessness services aims to achieve a more effective service system for people who are homeless or at risk of homelessness in NSW. The reform process was undertaken from July 2012 to July 2014.

The GSHS reforms have been designed to respond to a sustained worsening in homelessness indicators over past years, both in terms of the number of people who presenting as homeless, the vulnerability of those people (increased incidence of rough sleeping, for example), and the outcomes for people who have been homeless.

KPMG has been engaged to undertake a Post-Implementation Review (PIR) of the GSHS reforms. The Review was undertaken between October 2014 and December 2014.

## 1.1 Evaluation purpose and objectives

The objectives of the GSHS PIR are to:

- Provide a factual and transparent account of what happened during the GSHS reform process, up to and including tender and procurement;
- Assess the appropriateness and effectiveness of the reform design, planning, and implementation processes; and
- To identify lessons and opportunities for continuous improvement that will benefit future processes and reforms, in the context of the four topics for the PIR, being:
  - Reform timing and timeframes;
  - Governance and stakeholder engagement;
  - Service design and planning; and
  - Procurement.

The four topics in scope were identified by the GSHS Monitoring and Evaluation Advisory Group as priorities for immediate review based on what could feasibly be accomplished within the expected timeframes for completion of the PIR. Additional topic areas, such as GSHS contracting, GSHS reform transition, and the Service Support Fund, could not be accommodated within the time and quality constraints for this Review.

This PIR is the first step in understanding how the first stage of the reform process – its design and implementation – has been managed and delivered, where issues have emerged, and where improvements could be made to inform continuous improvement and future reform. The overall objective of this PIR is to

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<sup>2</sup> FACS GSHS Reform Plan, February 2013.



examine how select components of GSH have been developed and implemented to-date, and to assess the appropriateness and/or effectiveness of the processes used to do so.

As such, while the effectiveness of the GSH reforms in achieving outcomes and benefits for clients, providers, and the sector are of key concern to FACS, this review will focus on the implementation of service design and planning, and procurement.

## 2 Reforming the SHS System

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### 2.1 Specialist Homelessness Services

Governments across Australia fund a range of services to support people who are homeless or at risk of homelessness. These specialist homelessness services (SHS) are delivered by non-government organisations, and include agencies that specialise in delivering services to specific target groups (such as young people or women escaping domestic and family violence), as well as those that provide more generic services to those facing housing crises. These services support both those who have become homeless and those who are at imminent risk of homelessness.<sup>3</sup>

A 2008 Australian Government White paper, *The road home: a national approach to reducing homelessness*<sup>4</sup>, has shaped government policy on homelessness, and associated funding, in recent years. This document outlined a strategic agenda for the re-orientation of services towards the prevention of homelessness, alongside an increased supply of affordable and supported housing for those who might otherwise be homeless.

Funding for these goals is committed under the Commonwealth-State National Affordable Housing Agreement (NAHA) and is administered as the SHS Program in NSW.<sup>5</sup> The NAHA is supported by the National Partnership Agreement on Homelessness (NPAH), which is specific to reform goals for homelessness services. The NPAH committed all jurisdictions to working to significantly reduce homelessness by 2013 and recognised that addressing homelessness required action around three key strategies<sup>6</sup>:

- More effort to prevent and intervene early to stop people becoming homeless and also lessen the impact of homelessness;
- Breaking the cycle of homelessness with investment in services that help people get back on their feet, find stable accommodation and, wherever possible, obtain employment; and
- A better connected service system to achieve long-term sustainable reductions in the number of people who are homeless.

Funding associated with the NPAH was provided for the period 1 July 2009 to 30 June 2013, jointly by the Australian and state governments. In total, over the years 2009-10 to 2012-13, the Australian Government has expended or committed \$101.6 million and the NSW Government \$241.3 million for NPAH.<sup>7</sup>

NPAH was originally funded to 30 June 2013. An interim funding agreement for an additional year of funding was subsequently approved, ceasing on 30 June 2014. This was extended on 31 March 2014 for a further year.<sup>8</sup>

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<sup>3</sup> Australian Institute of Health and Welfare 2013. Specialist homelessness services: 2012–2013. Cat. no. HOU 27. Canberra: AIHW.

<sup>4</sup> *The road home: a national approach to reducing homelessness*, Australian Government 2008

<sup>5</sup> Council of Australian Governments (COAG) 2009, *National Affordable Housing Agreement*. 1 January.

<sup>6</sup> NSW Government, 2012. National Partnership Agreement on Homelessness: NSW Implementation Plan 2009-2013

<sup>7</sup> NSW Government, 2012. National Partnership Agreement on Homelessness: NSW Implementation Plan 2009-201.

<sup>8</sup> Homelessness agreement between states and Commonwealth extended with \$115m funding promise, ABC News, 31 Mar 2014

The SHS Program is administered by FACS, who is responsible for the overall direction and policy of the Program, as well as the funding and contracting of services. FACS also monitors performance and works to improve service delivery and outcomes for clients.

Prior to the GSHS reforms, there were approximately 336 SHS homelessness services funded by FACS to provide accommodation and support to people who are homeless or at risk of homelessness in NSW, including families in crisis, women and children affected by domestic and family violence, young people and single adults, through a case management approach.

These providers helped more than 51,000 people each year and were an important part of the broader service system that supports people who are homeless or at risk of homelessness. Services provide crisis and medium-term accommodation, general support (advice, advocacy, living skills), basic support (meals, showers and transport), personal/emotional support, financial and employment support and links to support services.<sup>9</sup>

### 2.1.1 Issues in the SHS system

Over the last 30 years, homelessness program funding allocations have been based on historical agreements, rather than need.<sup>10</sup> Block grants, based on service outputs, have delivered predictability and stability for SHS providers, and offered some accountability for the outputs the SHS services provided.

However, the approach has also given rise to a number of widely accepted issues, some of which are outlined below.

- **Growing and potentially mismatched need** – Service provision tends to lag behind population growth and change. Historical allocations and incremental decision making has tended to result in services being provided where and how they have always been, rather than where users live and needs are emerging.
- **Lack of cross-sector collaboration** – People with multiple needs (e.g. homeless and mental health issues) can find it difficult to have their needs met within the previous system, which was focused on funding programs and outputs, rather than finding whole-of-person solutions.
- **Barriers to service innovation** – Potentially innovative entrants to the market may not be able to compete with established services. Rigidity in funding and output based program requirements can also make it challenging for workers to tailor services to achieve the best outcomes for individual service users, or to expand good models beyond individual agencies.
- **Limited accountability for outcomes** – Funding agreements, performance data collection and reporting were not aimed at service outcomes, and financial and program related data was not comprehensive nor consistent across the service system, making it difficult to carry out robust evaluation and performance monitoring.

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<sup>9</sup> GSHS Reform Plan, February 2013.

<sup>10</sup> Going Home Staying Home Resource allocation Fact Sheet, November 2013.

- **Limited focus on prevention** – If funding is aimed principally at providing crisis intervention, then this can represent a barrier to devoting some resources to prevention, despite the potential to reduce demand for more expensive services subsequently.

### 2.1.2 The Homelessness Action Plan

In 2009 the NSW Government released the NSW Homelessness Action Plan 2009-2014 (HAP), which set the direction for state-wide reform of the homelessness service system in order to achieve better outcomes for people who are homeless or at risk of homelessness. Under the HAP, a range of homelessness support services and projects were funded through either the National Partnership Agreement on Homelessness (NPAH) or NSW State funding.

The HAP projects represent a significant development in the provision of housing and support for people who are homeless or at risk of homelessness. The projects provide examples of innovation and effectiveness and findings resonate with the broader directions of the Going Home Staying Home (GSH) Reform Plan. The project evaluations and the HAP Evaluation Summary (April 2013) were valuable in informing the design of the new SHS Service Delivery Framework.<sup>11</sup>

## 2.2 GSH reforms in context

### 2.2.1 Domestic and international case studies

The issues raised in the section above are not specific to homelessness services; indeed, they are common to many community services delivering programs to clients across Australia. For this reason, community services sectors in other jurisdictions are seeking to enact reforms with similar aims. The following illustrative examples are briefly outlined.

#### 2.2.1.1 Australian Capital Territory: ACT Community Sector Reform Program

Part of the focus of the ACT Community Sector Reform Program was reform to procurement, contracting and reporting arrangements in the ACT community sector. Specifically, these reforms recognised the new role of government in delivering community services through procurement and the ways their relationship with community sector providers could be improved.<sup>12</sup>

Of key relevance to the GSH reforms was the reform goal of the ACT Government to be able to marshal resources where they are best applied, harvest information and statistics on behalf of the community sector and control the regulatory frameworks for community services delivery, while community sector organisations would be responsible for direct service delivery. Specifically, these procurement reforms also sought to address the silos which resulted in community sector organisations having multiple, overlapping relationships with government, and place a focus on procuring outcomes rather than outputs.<sup>13</sup>

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<sup>11</sup> Australian Housing and Urban Research Institute Research Synthesis Unit, *Homelessness Action Plan – summary of evaluation findings*, Housing NSW, Available from: < <http://www.housing.nsw.gov.au/NR/rdonlyres/D5B94887-369B-48AA-B6ED-9B0C8C79A2A9/0/summaryofevaluationfindings.pdf>>. Accessed November 2014

<sup>12</sup> ACT Government, ACT Community Sector Reform Program, 2013

<sup>13</sup> ACT Government, Appendix A – Procurement Reforms, 2013

### 2.2.1.2 Queensland: Social Services Investment Framework

The Queensland Government’s Social Services Investment Framework sets out principles for a more transparent approach to community services funding (see Figure 2-1 below).

Figure 2-1: Social Services Investment Framework - Approach to how we invest



Source: Social Services Investment Framework, Queensland Treasury and Trade; Queensland Government

In brief, this approach involves a more comprehensive determination of where need and demand for services are and where unmet demand lies; designing service responses collaboratively with service providers; selecting providers through a competitive, market-oriented process; and monitoring service delivery through more outcome-oriented means.

### 2.2.1.3 South Australia: Homeless to Home

Homeless to Home was South Australia’s 2009-2013 homelessness strategy, which focused on nine fundamental principles that would underpin specialist homelessness services and the integration with mainstream services:<sup>14</sup>

- A ‘housing first’ approach – provision of safe housing as the first step to ending a person’s homelessness, coupled with coordinated support services
- Consolidation of services – to take advantage of economies of scale and lessen any duplication in administrative expenses

<sup>14</sup> South Australian Government, Homeless to Home, 2009

- Regionalisation of services – so that each location is provided with an equal level of specialist homelessness services, with a focus on servicing priority populations in each region including adults and families, young people, women and their children experiencing or escaping domestic and family violence and Aboriginal and Torres Strait Islander people
- A ‘no wrong door’ principle – so that clients are able to access a consistent service response, irrespective of where or how they access the system
- Standardised best practice case management and integration of services – to maintain a consistent level of service quality across specialist and mainstream homelessness services
- Separation of tenancy management and support provision – so that conflicts of interest do not arise in the provision of support services
- Culturally competent responses to Aboriginal and Torres Strait Islander people – so that Aboriginal and Torres Strait Islander people who are homeless or at risk of homelessness are able to receive a culturally appropriate response to their needs
- Priority for the safety of women and their children – so that women and their children who are experiencing or escaping domestic/Aboriginal family violence are given priority access to support and safe and secure housing
- Treating children as clients in their own right – to improve the response to homeless children, with individual case management for every child entering a specialist homelessness service

These principles were used in articulating the South Australian Government’s Implementation Plan for the National Partnership Agreement on Homelessness. The South Australian Government also implemented a re-commissioning of the budget for homelessness services via a competitive tendering process to provide more client-focused and integrated services and to achieve better value for money.

#### *2.2.1.4 Victoria: Services Connect*

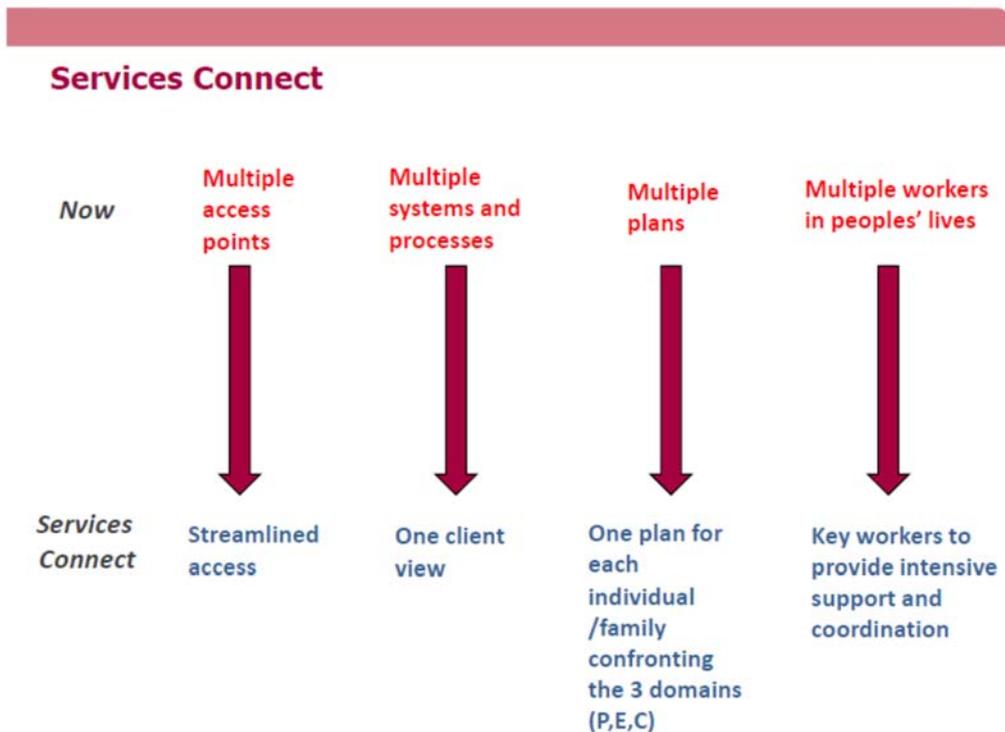
‘Services Connect’ is the improved way the Victorian Department of Human Services and its service providers delivers support to clients. Services Connect is designed to promote flexibility, offering a differentiated range of supports to reflect individual needs and circumstances of the client base. This recognises that, while some clients will be essentially self-managing, others may require more intensive support to address complex needs and issues.

The Services Connect system is designed around four key elements: streamlining access to information and services; identifying people’s needs and required levels of support; improved planning for services to address people’s needs and integrated models of service delivery to better address people’s needs.

Services Connect, combined with other system reforms such as the introduction of flexible client centred funding approaches and outcomes based funding models, will more effectively respond to homeless people with complex and interdependent needs. Locally based and more integrated approaches will provide homeless people with streamlined access to services and information, a single plan tailored to their

individual circumstances across a range of needs and access to a key worker to provide support and coordination. The diagram below shows how the new model will improve client outcomes.<sup>15</sup>

Figure 2-2: How Services Connect will transform clients' experience of services



Source: Victorian Department of Human Services

#### 2.2.1.5 Victoria: Victorian Homelessness Action Plan (VHAP)

In 2011, the Victorian Government announced \$82.6 million of reforms to its homelessness funding arrangements, focused on:<sup>16</sup>

- Supporting innovative approaches to homelessness;
- Investigating models that focus specifically on early intervention and prevention; and
- Better targeting resources when and where they are most needed and where they will make the biggest difference.

The plan set out a reform process to review the existing homelessness system, trial innovative service delivery approaches and recommend a new way of delivering homelessness services in Victoria.<sup>17</sup> The Action

<sup>15</sup> Victorian Department of Human Services, Services Connect

<sup>16</sup> Victorian Homelessness Action Plan 2011-2015, State Government of Victoria, 2011

<sup>17</sup> <http://www.premier.vic.gov.au/media-centre/media-releases/7716-homelessness-innovation-action-projects-ramp-up.html> Accessed 28 October 2014.

Plan identified a range of key actions to be undertaken to achieve the reform of homelessness services. These were:

- Innovation Action Projects: to test and evaluate new prevention and early intervention service approaches to inform future service system design.
- Ministerial Advisory Council on Homelessness: supported by working groups to advise the Minister for Housing on emerging issues, consider approaches for specific target groups including children and families, young people, singles, older people and Indigenous people and provide options for the Government on future service system design.
- Service Reform project: to develop a long term strategic framework for service reform to more effectively address homelessness.
- An Inter-departmental Committee to provide advice to the Minister for Housing on whole of government approaches to meeting client needs by joining housing and homelessness with mainstream services such as health, education and employment.

The VHAP articulates a set of reform principles that underpin the service system redevelopment and underpin the System Reform Project, these are presented below.<sup>18</sup>

#### **Clients:**

- People experiencing homelessness or those at risk of homelessness receive a tailored response at the earliest possible time and for as long as they need it.
- Clients are at the centre of an improved service system where they receive appropriate and effective responses, which meet their needs and are guided by their choices.
- A better understanding of clients and their needs – not just supporting them reactively in crisis but assisting them to reach their full potential.

#### **Service system:**

- The service system is easy to navigate and access and simple to understand.
- Integration of service delivery across sectors to best meet the client's needs.
- The service system includes both a crisis response and early intervention and prevention approaches.
- The service system should be efficient to administer and provided in a cost-effective way.

#### **Services:**

- Service delivery should be accountable and deliver outcomes.
- Services must be evidence-based and continuously improved.

#### **2.2.1.6 Western Australia: Delivering Community Services in Partnership Policy**

In 2011, the WA government introduced its *Delivering Community Services in Partnership Policy*. This introduced several key changes to community services funding, centred mainly on shifting and clarifying the way funding and contracting arrangements are to operate between the public sector and the community sector. Although the changes are not as extensive as the Queensland policy framework, they

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<sup>18</sup> Victorian Homelessness Action Plan 2011-2015, State Government of Victoria, 2011

similarly seek to ensure that service agreements focus on the “outcomes sought” and as such, deliver more freedom for services to deliver services the way they choose.<sup>19</sup>

#### 2.2.1.7 UK: Public Social Partnerships in Scotland

On 31 January 2013, the *Public Services (Social Value) Act* was enacted in Scotland<sup>20</sup>. The Act requires public bodies, where appropriate, to consider the wider economic, social and environmental value services can deliver when selecting suppliers. Through enacting this legislation, the government hoped to achieve:

- greater involvement of service providers in service design and provision (rather than this being done by government alone);
- improvement in outcomes for clients; and
- better value for money from public services.

Strategic partnerships, called Public Social Partnerships (PSPs) are formed between public sector and third sector organisations which are created to co-produce new services based on the input of current and former service users. Once designed, these services can be piloted before being commissioned through a competitive tendering process.

PSPs that have been created include the development of a pathway for short-term prisoners, a Reducing Reoffending Change Fund, and the re-design of Adult Social Care services including Supported Living for those with Learning Disabilities and Day Services for those with Learning Disabilities.

### 2.3 Objectives of the GSH reforms

The GSH reforms to the SHS system were announced by the Minister for FACS in July 2012, and represent one of the most significant reforms of the specialist homelessness service system undertaken in the last 20 years.<sup>21</sup> Backed up by the principles of the homelessness White Paper and the goals articulated in the NPAH agreement, and in acknowledgement of the issues in the service delivery system, GSH aims to achieve more effective ways to help people out of homelessness, and deliver a more effective service system for people who are homeless or at risk of homelessness in NSW.

The five reform objectives outlined in the Reform Plan are:<sup>22</sup>

- designing services better;
- making it easier to access services;
- improving planning and resource allocation;

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<sup>19</sup> *Delivering Community Services in Partnership Policy 2011*, policy document, Department of Premier and Cabinet

<sup>20</sup> The information on the Scottish example is drawn from *Building Social Value through Public Social Partnerships. Responding to the Social Value Act and the need to transform public service delivery* KPMG UK, 2014.

<sup>21</sup> Future directions for specialist homelessness services, Consultation Paper, July 2012 FACS

<sup>22</sup> FACS – Going home staying home: Practice guidelines, version 2, November 2013

- developing the homelessness sector and workforce; and
- developing better ways of contracting to deliver quality and continuous improvement.

The GSH Reform Plan articulates how these aspects of the service system as it would change. Firstly, service specifications would move from being inflexible classifications that limit client-centred responses and innovation, to a system where there would be more flexibility for services to partner together to deliver client-centred responses. Further, these service specifications would move to reflect the renewed role of SHS by building on existing good practice and future innovation to deliver different client approaches. The system would also move away from a model that did not consistently reflect models of good practice throughout the system, with an insufficient focus on early intervention and rapid re-housing, to a system with increased early intervention and rapid re-housing responses that would align the SHS, Temporary Accommodation and Crisis Accommodation programs.

GSH aimed to make it easier for clients to access services by simplifying and connecting service entry points, delivering more coordinated and connected services, using more consistent needs assessment tools and opening the door to improved integration of services through increased information sharing between services.

GSH also aimed to deliver more efficient resourcing by allocating resources according to need, implementing a transparent regional planning mechanism and shifting resources away from an outdated service costing model to more evidence-based and cost-effective models.

These reforms rely on a skilled workforce and an effective homelessness sector to deliver them. GSH intends to develop the homelessness sector by encouraging consortia and alliances to deliver integrated services to clients, and providing opportunities to those working in the sector for skill and career development and mobility across organisations.

Finally, GSH aimed to improve service quality. GSH would move the NSW SHS system from a system with no formal quality assurance standards and no consistent approach to addressing client complaints, to a system where service provision was underpinned by quality standards and clients are able to voice informed complaints about unacceptable levels of quality. Following the reforms, the system would be focused on continuous quality improvement, with regular evaluation of outcomes and service specifications that are regularly updated to meet client priorities.<sup>23</sup>

As is evident from the examples provided, GSH is not alone in endeavouring to reform funding, planning, service design and contracting arrangements in the human services sector in Australia, including specifically for homelessness services. Across the country and internationally, governments are looking for better ways to plan and deliver client-centred, prevention-focused services, with an eye to improving value for money, performance measurement and achievement of outcomes.

However, GSH is one of the largest human services reforms attempted to date, affecting the procurement of over \$140 million of services in the year 2014/15.<sup>24</sup> In terms of NSW, stakeholders reported that it represented the largest procurement exercise the NSW Government had undertaken over the last several years, outside of state-wide IT systems procurement. This provides a sense not only of the overall

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<sup>23</sup> NSW Department of Family & Community Services, 'Going Home Staying Home: Reform Plan', 2012

<sup>24</sup> NSW Department of Family & Community Services, 'About the Going Home Staying Home Reforms', 2014

significance of the reforms, but also the degree to which they represent ground breaking territory for the players involved. This increases the importance and value of collecting and disseminating lessons learned as the reforms roll-out.

## 2.4 Summary of sector changes

The GSH reforms resulted in significant changes to the sector which are summarised below including a significant reduction in the overall number of contracts and the proportion of small organisations providing services.

Table 2-1: Summary key funding and service data, 2013-14 (pre-GSH) and 2014-15 (GSH)

	2013-14		2014-15	
<b>SHS Program grants</b>	\$134m		\$148m	
<b>Total SHS contracts</b>	336		157	
<b>SHS organisations</b>	201		188 – 76* as lead and 147 as partner (services can be both)	
<b>Properties</b>	More than 1,300		More than 1,400	
<b>“Small” providers*</b>	75% of services received less than \$500K**		34% of lead providers will receive less than \$800K pa	
	<i>No.</i>	<i>% of total</i>	<i>No.</i>	<i>% of total</i>
<b>Faith-based organisations*** – no. of organisations</b>	36	18%	28 (17 as lead, 11 as partner)	15%
<b>Faith-based organisations – share of funding</b>	<b>43%</b>		<b>46%</b>	

Source: FACS data

\* Note: This number takes into account lead providers of all service packages for which procurement has closed at the time of publication of this document, including from the state-wide, inner city, and inner city restoration procurement processes.

\*\* Information is not directly comparable, as under GSH FACS only holds information on the 76 lead agencies, not the 147 partner agencies, many of which would be smaller providers.

\*\*\* Faith-based organisations based on the following criteria: Provider name demonstrates obvious religious affiliation OR search of publicly available information indicates religious affiliation or orientation.

### Impacts on Client Numbers

Historical client data (broken down by client group) is only available for 2011-12. Table 2.2 below shows the estimated impacts on particular client groups under the reforms.

Table 2.2 – Client Numbers pre and post GSH Reforms

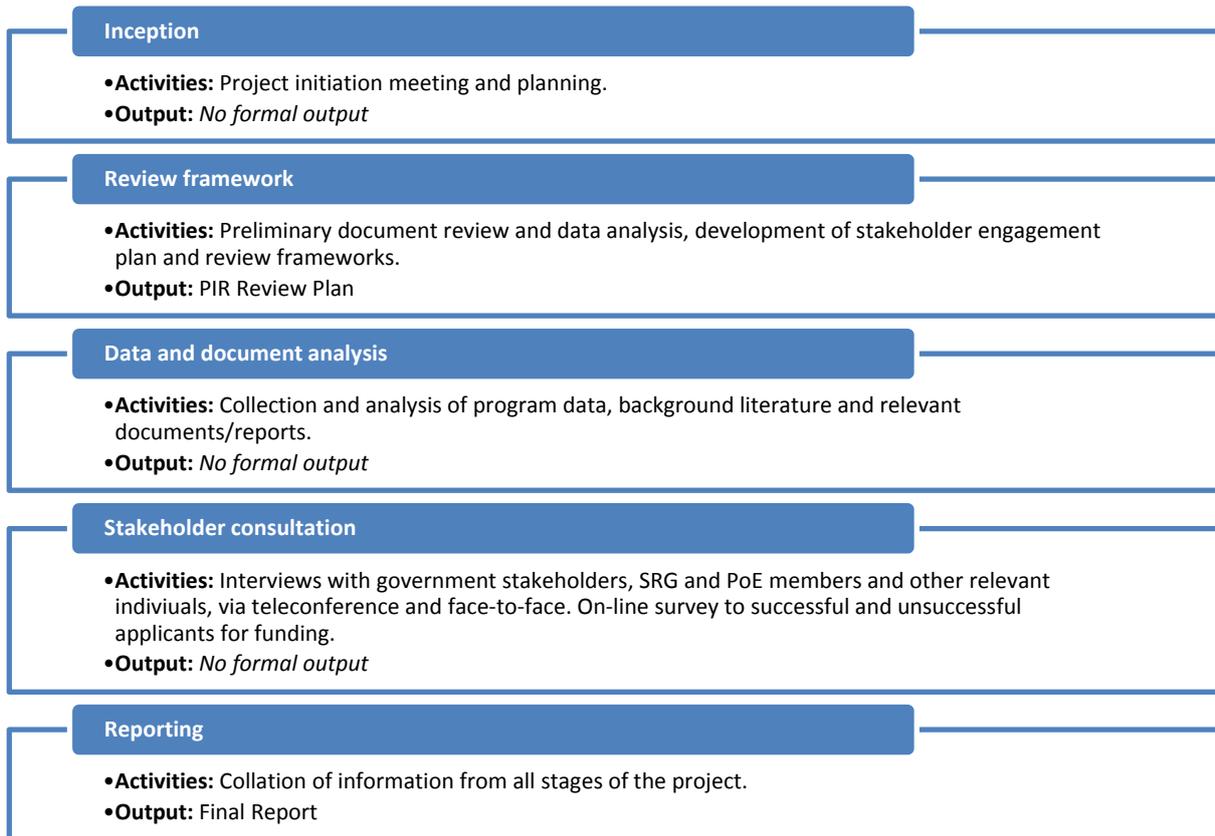
Client groups	2011-12	2014-15 (Forecast)
Young people	15,191	15,600
Men	9,831	8,600
Women	11,305	11,900
Families	15,778	17,900
<b>Total clients</b>	<b>52,105</b>	<b>54,000</b>

Source: FACS data

### 3 Methodology

KPMG completed the Post-Implementation Review (PIR) in a five stage approach. More information on activities and outputs at each stage is provided below at Figure 3-1.

Figure 3-1: Project approach



Source: KPMG 2014

#### 3.1 Review Framework

This Review is based on the development of a Review Framework that defines the main research themes and questions for the GSH PIR Review. These are designed to respond to the objectives for the review identified by FACS in consultation with the GSH Monitoring and Evaluation (M&E) Advisory Group, and provide an increasingly granular level of detail, as well as outlining clearly how each individual question links back to the overall research objectives for the review. The Review Framework and the detailed research questions that were developed for the PIR are provided at Appendix A.

## 3.2 Data analysis

As part of this Review, KPMG has reviewed an extensive array of documentation provided by FACS regarding governance and stakeholder engagement, service design and planning, and the procurement process.

Stakeholders have been consulted through the following means:

- Online survey; and
- Stakeholder interviews.

Service providers, consumer representatives, peak bodies and various other stakeholders contacted the NSW Ombudsman's office directly to provide feedback. Feedback received through this from more than 70 organisations, individuals and groups was summarised by the NSW Ombudsman's office. That summary was used as an input to this analysis, and is referenced here as *Ombudsman's Summary of Issues Raised by Stakeholders and FACS' Response*. The scope of this Review is narrower in scope than the Ombudsman's issues summary, which intended to capture the main concerns held by stakeholders about the process, including issues that are beyond the scope of this PIR.

### 3.2.1 Online survey

The online survey was administered on the Qualtrics tool and sent to both successful and unsuccessful applicants for both the prequalification and select tender processes for the GSH. The survey was open for a one week period. Follow up emails were sent to providers during the week to remind and encourage them to complete the survey if they were able.

A total of 245 representatives of these organisations were sent the survey, out of which there was a total of 103 responses. Further details on the survey respondents can be found in Appendix AB.1.

#### 3.2.1.1 Limitations of the on-line survey data

The direct views of homelessness service providers (successful and unsuccessful) for this Review were obtained from the on-line survey conducted specifically for this purpose. This information supplemented information received indirectly through interviews with the peak agencies representing providers on PoE and SRG. Providers also provided their views to the NSW Ombudsman, and they were represented in the Ombudsman's Summary of Issues Raised by Stakeholders, which KPMG has referred to throughout this Review.

As with such surveys, there are a number of caveats that apply to its results:

- The 103 responses provide a snapshot of the opinions of those who responded to the survey. The survey responses were a broadly representative sample of services in terms of service location and size, and covered both successful and unsuccessful services. However, the sample may not be representative of all experiences of all services.
- Free text responses were mainly offered where a respondent had indicated they were dissatisfied with an aspect of the GSH reforms, in order to provide an opportunity for them to explain this further. As such, free text responses tended to be critical.
- Providers received the survey in the form of a link, which could be used once from each computer IP address. However, there were no limits on who the link could be sent to and others who received it could complete the survey. In order to maintain the anonymity of responses, identifying information

regarding the individual or agency that completed the survey was not required or collected. This means that some agencies or individuals could have completed the survey multiple times, if they did so from different computers. KPMG notes that, from the information on responses that is available, there is no evidence that this occurred to any significant extent or that it affected the survey results.

- Due to the timeframes for this Review, the survey was open for one week, with services given several days advance notice. A longer opening period would most likely have facilitated a higher response rate. The timing, closing on the first of December, also may have been problematic for some services due to staff absences and leave.

### 3.2.1.2 Key respondent data

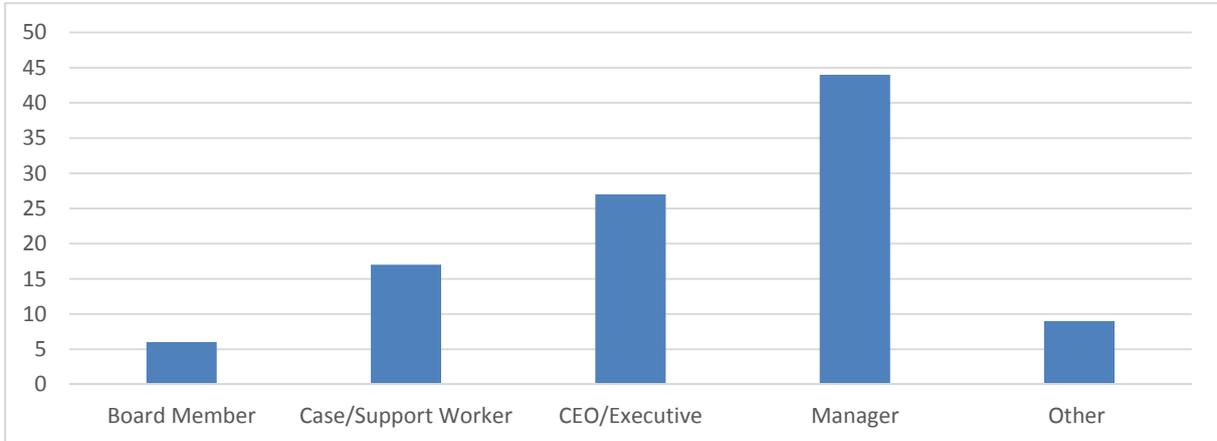
Key information regarding the survey respondents is as follows:

*Table 3-1: survey responses by FACS district of service operation*

District	No. of responses
Central Coast	3
Far West	2
Hunter New England	12
Illawarra Shoalhaven	3
Mid North Coast	6
Murrumbidgee	2
Nepean Blue Mountains	3
Northern NSW	5
Northern Sydney	6
South Eastern Sydney	6
South Western Sydney	10
Southern NSW	8
Sydney	18
Western NSW	8
Western Sydney	11
<b>Total</b>	<b>103</b>

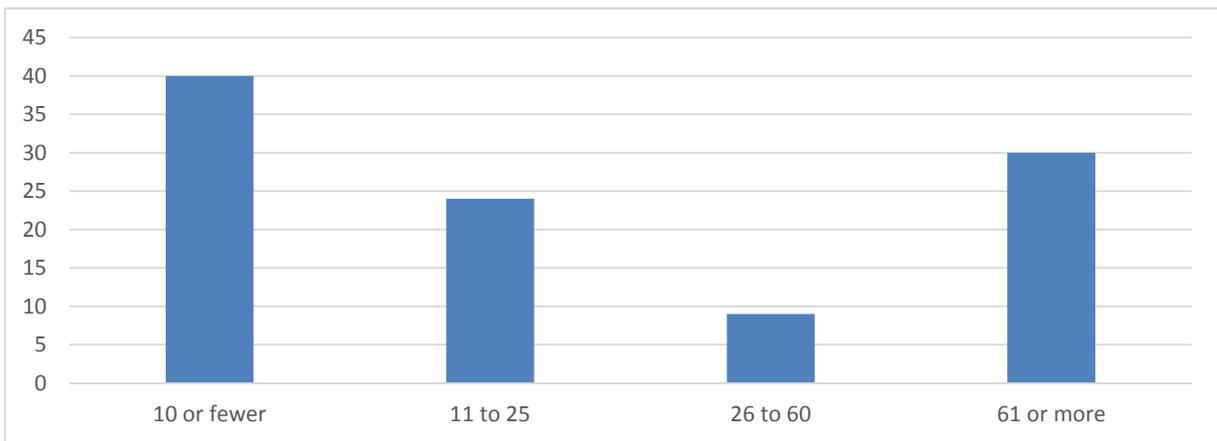
*GSH Provider Survey Results 2014*

Figure 3-2: Survey question: What is your role in the organisation?



GSH Provider Survey Results 2014

Figure 3-3: Survey question: Approximately how many full time equivalent (FTE) staff does your organisation employ?



GSH Provider Survey Results 2014

Survey respondents were distributed across regional and metropolitan areas of NSW. Overall, the distribution of survey responses received is broadly representative of the distribution of services across NSW. The number of responses from Sydney, Northern Sydney and Southern NSW were notably higher than the average, while Murrumbidgee and Nepean Blue Mountains were slightly lower. There was a relatively large number of responses received from larger providers (those with 61+ employees) compared to their distribution among providers.

Responses were also received from a range of services, with 40 respondents representing services with 10 or fewer FTE staff, and 30 representing services with over 61 staff.

Of those that responded to the survey, 84 applied for SHS funding through the GSH tender process as a lead agency, and 41 applied for funding as a partner agency (organisations could apply as both). Fifty-six respondents were successful as a lead agency and 35 were successful as a partner agency. Twenty-nine survey respondents were not successful in the tender process.

### 3.2.2 Stakeholder interviews

In addition to the survey, a total of thirty-four interviews (individual and group) were completed with the following groups of stakeholders:

- government stakeholders;
- representatives of PoE; and
- representatives of SRG.

The stakeholder interviews were conducted over a six week period from October to December 2014, either face-to-face or by phone.

A full list of stakeholders consulted can be found in Appendix AB.2.

### 3.3 Assessment Framework

Building on the detailed review questions, key considerations that have been taken into account in examining the four key components of the PIR to test the appropriateness and effectiveness of the development and implementation of the GSHS are outlined in the assessment framework that was developed and which is shown in Figure 3-4 below.

Figure 3-4: GSHS Assessment Framework

Reform timing and timeframes	Governance/ stakeholder engagement	Service design and planning	Procurement
<ul style="list-style-type: none"> <li>• <b>Key considerations:</b></li> <li>• Project plan and risk management plan set out timelines for key activities</li> <li>• Timelines were reasonable for stakeholders to achieve agreed activities</li> <li>• Strategies in place to manage variations in timelines</li> <li>• Processes in place to manage impact of timeline variations on project/ stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Key considerations:</b></li> <li>• Clear linkages and coordination mechanisms in place</li> <li>• Communication across projects supported stakeholder buy-in and readiness for change</li> <li>• Stakeholder engagement activities result in appropriate influence from sector in design, planning and decision making</li> <li>• Understanding of linkages and interdependences with other FACS/NSW programs and reforms</li> <li>• Decision making processes robust, including appropriate consideration of risks and benefits</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Key considerations:</b></li> <li>• Evidence used to inform service design and planning</li> <li>• Desired outcomes effectively articulated and communicated to achieve common understanding of goals</li> <li>• Stakeholders adequately and effectively consulted in reform design</li> <li>• District planning process and planning tools (including e-Tools) effective in delivering redesigned services that address SHS design principles</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Key considerations:</b></li> <li>• Value for money analysis</li> <li>• Clear communication of tender requirements</li> <li>• Procurement processes open, transparent and accountable</li> <li>• Decision making processes robust, including appropriate consideration of risks and benefits</li> </ul>

Source: KPMG 2014

## 4 Reform timing and timeframes

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### Summary Findings

- FACS implemented a major and unprecedented reform, largely within the timeframe it had been assigned. Although FACS largely achieved its two-year timeframe, meeting it required compressing the later stages of the process. This had the following adverse impacts:
  - Planned engagement activities were curtailed, negatively affecting relationships between FACS and the services, clients, and the community
  - Decision making was centralised
  - Issues with information accuracy occurred
  - Uncertainty over the tender outcome impacted services
- With greater engagement of stakeholders, and more dispersed decision making, stakeholders would have been able to be led on the journey more, which may have supported increased buy-in from them and better supported FACS to manage the change process. As it was, there was little time between the stages for reflection or the type of organic reform that might have occurred had services had more time to process and respond naturally to the information they were receiving.
- Other simultaneous processes, including the roll-out of a localisation strategy, a recruitment freeze, and changes in FACS ministerial arrangements resulted in significant resource constraints. FACS staff reported working long hours and experiencing high levels of stress over long periods of time in an attempt to meet the timelines they had been given. Sector staff also reported experiencing stress associated with the tender processes and uncertainty over future funding arrangements.

This section sets out the high level timeframes that applied to GSHS. It then considers the issues that arose, and the impact of these issues on stakeholders, and the implementation of the reform overall. More detailed consideration of the timeframes that applied to the service design and tendering phases is provided under these sections.

### 4.1 Timeframes and sequencing of activities

The two year timeframe for the reform was set out when the reforms were announced, in July 2012. FACS has noted<sup>25</sup> that a staged approach was considered briefly, but decided against due to the fact that NPAH funding was expected to come to an end in all Districts, and piloting reform in some Districts would not have addressed the funding issue in all Districts. The SHS Program redistribution objective was also identified as another major barrier to a staged approach to reform, as it would not have been possible to

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<sup>25</sup> Ombudsman's Summary of Issues Raised by Stakeholders and FACS Response



redistribute funding as the funding redistribution impacted on all Districts. Table 4-1 below shows the high level dates for key mile-stones identified with the GSH reforms.



Table 4-1: Key dates for GSH Implementation

Date	Reform Direction and Governance	Research, Development, and Planning	Prequalification and Tender	Transition and Contracting
<b>2012</b>				
July 2012/August 2012	<ul style="list-style-type: none"> <li>GSH Consultation Paper 'Future Directions for Specialist Homelessness Services' released (10 July 2012)</li> <li>17x consultation sessions held (July/August 2012)</li> <li>Written submissions received (July/August 2012)</li> </ul>			
August 2012	<ul style="list-style-type: none"> <li>Sector Reference Group and Panel of Experts established (SRG - 10 August 2012)</li> </ul>	<ul style="list-style-type: none"> <li>Working Groups established (August 2012 onwards)</li> </ul>		
September 2012		<ul style="list-style-type: none"> <li>Industry Partnership development commences</li> </ul>		
October 2012	<ul style="list-style-type: none"> <li>GSH Consultation Summary Report released</li> </ul>			
November 2012		<ul style="list-style-type: none"> <li>'Streamlined Access' approach developed (November 2012 - March 2013)</li> </ul>		
December 2012		<ul style="list-style-type: none"> <li>Service Delivery Framework under development</li> </ul>		
<b>2013</b>				
January 2013		<ul style="list-style-type: none"> <li>Industry Partnership established (January 2013)</li> </ul>		
February 2013	<ul style="list-style-type: none"> <li>GSH Reform Plan developed and released (1 February 2013) – <b>delayed from prior to Christmas</b></li> <li>15x District forums on the GSH Reform Plan were held (February 2013)</li> </ul>	<ul style="list-style-type: none"> <li>'Streamlined Access' approach developed</li> <li>Service Delivery Framework developed and released in March 2013</li> </ul>		
March 2013				
April 2013		<ul style="list-style-type: none"> <li>Practice guidelines – Version 1 released (April 2013)</li> </ul>		
May 2013		<ul style="list-style-type: none"> <li>15x Service Design forums held</li> </ul>		
June 2013		<ul style="list-style-type: none"> <li>Innovation Fund EOI process and funding</li> </ul>		
July 2013		<ul style="list-style-type: none"> <li>Industry Development Fund disbursed</li> </ul>		
August 2013		<ul style="list-style-type: none"> <li>Pricing approach developed and approved</li> </ul>	<ul style="list-style-type: none"> <li>State-wide procurement approach developed and procurement plan approved (July 2013 – August 2013)</li> </ul>	



Date	Reform Direction and Governance	Research, Development, and Planning	Prequalification and Tender	Transition and Contracting
September 2013		<ul style="list-style-type: none"> <li>Service planning tools and guidelines developed</li> <li>Quality Assurance System drafted</li> <li>District service planning workshop, planning commences (18 September 2013)</li> <li>Resource Allocation Model completed (25 September 2013)</li> </ul>	<ul style="list-style-type: none"> <li>Application period for SHS Prequalification Scheme opened (23 September 2013)</li> </ul>	
October 2013		<ul style="list-style-type: none"> <li>District service planning proposals submitted (18 October 2013)</li> <li>149 Tender Service Packages Descriptions developed (Oct 2013)</li> </ul>	<ul style="list-style-type: none"> <li>Application period for SHS Prequalification Scheme closed (18 October 2013)</li> </ul>	
November 2013		<ul style="list-style-type: none"> <li>Practice Guidelines – Version 2 released (November 2013)</li> </ul>	<ul style="list-style-type: none"> <li>Tender briefing sessions held around the state (1 November)</li> <li>GSHS Hotline established and goes live (18 November 2013)</li> <li>State-wide tender application period opened (27 November)</li> </ul>	
December 2013				
<b>2014</b>				
January 2014			<ul style="list-style-type: none"> <li>GSHS SHS Select Tender – Application Help Guide (Version 2) released</li> </ul>	
February 2014			<ul style="list-style-type: none"> <li>State-wide tender application period closed (7 February 2014) – <b>Extended from 28 January 2014</b></li> </ul>	
March 2014			<ul style="list-style-type: none"> <li>Inner City tender application period opens (19 March 2014)</li> </ul>	<ul style="list-style-type: none"> <li>SEAS Advisory Group commenced</li> </ul>
April 2014			<ul style="list-style-type: none"> <li>Inner City tender application period closes (28 April 2014)</li> <li>State-wide tender assessment finalised (29 April 2014)</li> </ul>	
May 2014			<ul style="list-style-type: none"> <li>Inner City tender assessment finalised</li> <li>Contract Service Package Descriptions finalised</li> </ul>	<ul style="list-style-type: none"> <li>Sector Employment Assistance Scheme commenced (1 May 2014)</li> </ul>
June 2014			<ul style="list-style-type: none"> <li>Tender announcement (13 June 2014) – <b>Delayed from May 2014</b></li> <li>SSF announced (26 June 2014)</li> <li>Inner City restoration approved by Secretary (6 June 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Guidelines for ‘Transition of Clients Properties and Services’ published (1 June 2014)</li> </ul>



Date	Reform Direction and Governance	Research, Development, and Planning	Prequalification and Tender	Transition and Contracting
July 2014			<ul style="list-style-type: none"> <li>SSF applications due (31 July 2014)</li> </ul>	
August 2014			<ul style="list-style-type: none"> <li>Secondary procurement for the 4 packages being re-tendered opened (19 August 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Unsuccessful services wind down and transition commenced (1 August 2014)</li> <li>DHIGs commenced establishment (as of)</li> </ul>
September 2014			<ul style="list-style-type: none"> <li>Secondary procurement for the 4 packages being re-tendered closed (22 September 2014)</li> </ul>	<ul style="list-style-type: none"> <li>All contracts signed (1 November 2014)</li> <li>Service delivery schedule (30 September 2014)</li> </ul>
October 2014				<ul style="list-style-type: none"> <li>Completion of unsuccessful services winding down and transition completed (31 October 2014)</li> </ul>
November 2014		<ul style="list-style-type: none"> <li>Practice Guidelines – Version 3 released (3 November 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Successful providers for 4 packages that were re-tendered announced (4 November 2014)</li> <li>SSF payments commenced (1 November 2014) for first round</li> <li>SSF applications due for second round</li> </ul>	<ul style="list-style-type: none"> <li>New services on board (1 November 2014)</li> </ul>
December 2014				<ul style="list-style-type: none"> <li>Sector Employment Assistance Scheme support closed (31 December 2014)</li> </ul>

Source: FACS documents

There were three main variations to the original timeframes:

1. There was a delay in releasing the GSH Reform Plan. The intention was to release this before Christmas 2012, but instead it was released in February 2013.
2. There was a delay in the original tender timeframes of several weeks, when the deadlines for submission were extended from 28 January 2014 to 7 February 2014.
3. There was a delay in announcing the outcomes of the tender. This had been expected in May 2014, but was delayed to 13 June 2014.

According to senior FACS officials, the original delay in the Reform Plan was caused by a longer period of internal consideration than had been expected.

The deadline for the tender was extended in response to sector concerns that it was insufficient to complete the tender documents, especially given the tender period also occurred over Christmas, which was not ideal timing. One FACS officer acknowledged that this ended up creating additional issues for some services, that had managed to gear up to meet the original tight timeframe. This is also acknowledged in the Ombudsman's Summary of Issues Raised by Stakeholders which notes that, the decision perversely affected smaller agencies to a greater extent than larger ones, because: "the decision to extend the deadline disadvantaged smaller agencies which had already booked tender-writers and could not benefit from the extended deadline."<sup>26</sup> This is considered further in Section 7 of the report, which deals with procurement.

The delay in the planned tender announcement is attributed<sup>27</sup> to changes in Ministerial responsibility, which meant additional time was required to comprehensively brief the new Minister regarding the reforms. FACS extended the planned transition and establishment period to October 2014, in recognition that providers required a longer period of time to transition and establish than had been originally envisaged. FACS has stated, in the Ombudsman's Summary of Issues Raised by Stakeholders, that it recognised that the delay in tender announcements heightened provider anxiety and speculation.

FACS officials reported that it was difficult to communicate what the revised timeframes were before the announcement of the successful tenders, as changes to the Minister and Premier meant that key decisions regarding the process were returned to Cabinet.

## 4.2 Appropriateness of timeframes to deliver the desired process

Overall, a two year reform timeframe might be considered tight, but possible – in the end, the deadline was delayed by one month from the original deadline and the key reform objectives were achieved.

From service providers' perspective, the main timing problems occurred at the tendering phase, and related not only to the total time available for the task of writing the tender, but to changes in the timeframe that occurred late in the process which made it difficult for services to plan to meet the timeframes. This issue is covered under the procurement section of the report in Section 7.

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<sup>26</sup> Ombudsman's Summary of Issues Raised by Stakeholders and FACS Response

<sup>27</sup> Ombudsman's Summary of Issues Raised by Stakeholders and FACS Response

Sector stakeholders also raised the sequencing of events as being problematic. For example, the tender process commenced before the Innovation Fund and Industry Development Fund projects were finalised, which meant that organisations were unable to use the finalised modelling from these projects in their tenders; “as there was a lack of information and clarity about the service packages prior to their release, a number of organisations spent the industry and innovation funding on projects such as developing service models that were ultimately not relevant to the service packages for which they were asked to tender.”<sup>28</sup>

From a FACS perspective, officers almost universally expressed concerns that the timeframes given to undertake the expected tasks were inadequate, but that the announced implementation date (dictated by the expected end of the NPAH funding) left no flexibility to adjust them. The point at which the pressure was most felt appears to be the service design phase, which Districts were expected to manage in a matter of weeks. This pressure was exacerbated by the lack of involvement of services, associated with probity requirements, and the fact that early Reform documents gave broad direction, while service planning and design required much more detailed documentation (discussed further in Section 6). The roll-out of the localisation strategy at the same time was also putting pressure on FACS staff during this time.

The main outcomes that greater time would have achieved cited were:

- FACS Districts could have been engaged more fully and effectively;
- A greater range of stakeholders could have been consulted, and engaged more effectively;
- Service design and parts of the procurement process could have continued more collaboratively;
- Even more collaborative design of services could have been achieved;
- There would have been greater accuracy in the properties included in the packages, and the need to adjust them mid-tender would have been avoided;
- (in the final stage) Services would have benefited from reduced uncertainty over the tender outcomes; and
- Adverse impacts for relationships with services, clients and the community could have been avoided.
- A longer timeframe would have allowed for more testing of some of the reform elements and for a staged approach to reform to be more carefully considered.

Importantly, had more time been allowed, stakeholders might have been able to be led on the journey more, which may have supported their buy-in and engagement. With greater engagement of stakeholders, and more dispersed decision making, stakeholders would have been able to be led on the journey more, which may have supported increased buy-in from them and better supported FACS to manage the change process. As it was, there was little time between the stages for reflection or the type of organic reform that might have occurred had services had more time to process and respond naturally to the information they were receiving.

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<sup>28</sup> Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

Officials involved in the process described the process of attempting to meet the timeframes as taking a toll on staff in terms of long working hours and high levels of stress. The following issues were cited as contributing to the pressures that FACS faced in working to meet the stated timeframes with the resources available:

- The suitability of the project management and change management methodology adopted, which was considered to have been more suitable for dealing with a typical *Business As Usual* program activity or policy project – such as a new property development – but was not sufficiently sophisticated to deal with such a major reform process involving so many stakeholders. The issue of potentially variable skill levels and skill sets across District offices was also raised. The skills and experience of services within the sector also varied widely, and the approach to change and project management adopted may not have paid sufficient attention to identifying these disparities at the outset, and actively catering for them.
- FACS was operating under a staffing freeze during the time of the reforms and relied on contractors to deliver key tasks. This led to not only resourcing inadequacy, but high levels of staff movement among positions and many people new in their positions.
- The internal FACS change management process adopted, which some stakeholders considered could have been better managed to prepare and support FACS staff for a long period of hard work in a difficult environment.

Over and above the effect of any timing and scheduling issues related to the GSH project itself, a number of other processes were occurring simultaneously that also affected FACS and the sector.

- A localisation strategy for FACS took effect in September 2013, which saw greater devolution of authority to 15 new FACS Districts. This gave them greater decision making powers and control, but temporarily increased the level of instability and change within the FACS environment, which contributed to the pressures FACS faced in trying to deliver the reforms within the given timeframes;
- Ministerial changes in April 2014 which resulted in a change of Minister with responsibility for FACS two months before the new service system was due to go live – this heightened the time pressures with additional briefings and material needed for the new Minister.

A process of property validation was also underway, to bring up to date the data that FACS held centrally regarding some 1300 crisis and transitional properties. This was a necessary pre-cursor to developing the GSH service packages, however it could not be commenced until after release of the Reform Plan.. As a result, this process ended up overlapping with the period during which service packages were being drawn up. This curtailed the time available to undertake the task, and added to the difficulties FACS staff had in meeting all relevant deadlines. It also resulted in inaccuracies in the process, which on some occasions led to subsequent revisions of documentation or contract negotiations.

Overall, the timeframes to achieve the reforms were clearly tight. Achieving them was done principally by compressing later stages of the process, when earlier stages took longer than expected. In the absence of planning for these early delays, this caused a great deal of stress for FACS staff – as well as for the sector – in achieving the ambitious goals of the later stages. The impact on implementation is discussed below in Section 6 of the report.

At least part of the problem that was experienced as unrealistic timeframes may relate to a lack of staff resources, skills and experience gaps among those staff, as well as the project and change management



approaches adopted. Issues such as the additional briefings required with the changes in ministerial responsibility and the localisation strategy added further pressures to staff already under pressure.

## 4.3 Impact of timing issues on implementation of the GSH reforms

### 4.3.1 Engagement with stakeholders curtailed

In an environment of limited flexibility and resourcing constraints (as discussed above), FACS officers needed to find ways to meet the ambitious timeframes they had been given. Over and above long and stressful hours, part of the FACS organisational response was to reduce on the level and amount of engagement with stakeholders. In some instances, what could have been an engagement process was shortened to a communication process. In others, planned communication activities were not undertaken. One example was on the completion of service planning, at which point FACS would have liked to publish the resulting plans, which would have provided services with time to digest the information and consider their responses. As one FACS officer said, “the gap was that when we completed planning, we should have published the plans and let it settle in and then have the opportunity to move together towards it. There still would have been losers, but we would have had a lot of organic reform.”

Communications with internal stakeholders were also affected. FACS central office was not able to return the proposed service packages to District staff after the information had been put into the tender documents, meaning that the District officers and potential service providers saw the information in the final format at the same time. At times, this caused confusion: District staff reported not clearly understanding how their input had been included, and where it had been interpreted or altered before appearing in the final tender documents. It also meant that FACS imposed shortened timeframes on the sector at the later stages (particularly tendering) due to the delay that had occurred earlier with releasing the Final Reform Plan.

Some FACS officials also consider that the short timeframes led to a greater reliance on peak agencies for input, rather than going to service providers directly. Not all services are members of peak agencies, and peak agencies may not be representative of all views. Engagement with some stakeholders with important perspectives may have been missed.

### 4.3.2 Centralisation of decision making

In response to short timeframes, FACS also centralised a lot of decision making and design. The decision to use centralised mechanisms was partly made in response to probity concerns which are discussed further in Section 7 of the report. However, it was also more efficient, as it avoided certain processes that would have had to be repeated across Districts – and thus was chosen when the time pressures became extreme. This effectively reduced the number and diversity of people who could be consulted and engaged in the process.

One stakeholder described this as a “missed opportunity” to capture the local knowledge of District-level providers in the process. While Districts were involved in the planning process, their ability to engage with their local services was extremely limited, both by the time they had available to do so and by associated probity concerns, which are covered further in Section 7.

One effect of this may have been the growth in the relative share of contracts won by larger organisations. While data comparability and availability issues make it difficult to directly compare the relative share of smaller and larger before and after the GSH reforms, it is possible to say that small services who chose not to partner with a larger provider generally found it difficult to compete for on-going funding.

In some cases, small services may be too small to be realistically viable, and larger services may well be able to offer a greater breadth of services to clients – which may better serve the client. However, some smaller services would have offered specialist services and/or been known for good, quality work in the community. To the extent that Districts had relationships with local services and localised knowledge, any curtailment of the ability of Districts to fully engage in the planning process may have limited the amount of information available to the process, such as that which might have differentiated a small, unviable service from a small, specialist service.

#### **4.3.3 Issues with information accuracy**

The time pressures led to certain errors being made such as, in a small number of cases, the wrong information on some properties being included in tender documents, which had to be revised in the middle of the tender process, causing further confusion.

#### **4.3.4 Impact on services of uncertainty over the tender outcome**

The sector issues logged in the Ombudsman’s summary include concerns about delays in the final announcement of the tender, which “extended the period of uncertainty for services and clients causing immense stress for both, and an unnecessary hiatus in the system given the uncertainty of the future of individual services at that time... It made forward planning in relation to staffing and other commitments into the new financial year highly problematic.”<sup>29</sup> This is discussed in more detail under Section 7.

#### **4.3.5 Impact on relationships within the sector**

Senior FACS officials report deliberating at times about the relative consequences of pushing to meet the deadlines – in the understanding of the risks that doing so entailed – against the possible consequences of not meeting the stated deadlines. The officials interviewed considered that the decision to proceed with the original timeframe was an informed one, based on the information available at the time.

A longer process might not have avoided the issues that presented, but simply stretched the issues over a longer timeframe. It could even have compromised the process – if the reforms had dragged on and services became disengaged, for example. As such, there were grounds for making the decision to press on.

Conversely, having more time may have enabled people to be ‘brought along’ more, as things such as cultural change and organic reform took effect. The fact that some parties were aggrieved through the process caused difficulties for FACS, in terms of responding to criticism and negative media coverage. This undoubtedly caused some trust and relationship damage for FACS – over and above that caused when mistakes were made. Several survey respondents commented on this, one with noting, “*The procurement process effectively pared off the possibility of offering symbiotic and networked support services by driving the smaller providers out of the system.*” Another commented, we ‘*have lost significant collaborative relations and now need to build new inter-sector relationships*’. As such, the opposite of the intent of the reform process – to strengthen and consolidate relationships – was perceived by some stakeholders as having occurred, due to the way in which the reforms were implemented.

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<sup>29</sup> Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

Importantly, some services identified that the timeframes had had a negative effect not only on staff, but on service delivery to clients, as staff (particularly in smaller organisations) were overloaded by having to work on the tender whilst also delivering services. As one said, *“We were a small organisation. The timeframes, level of complexity and competitive process requiring multiple tender applications to increase chance of success put a huge strain on the organisation and client services.”* This suggests that another area for close monitoring and consideration for further review should be the longer-term impact of the GSH reforms on services, relationships between services, and ultimately the accessibility and quality of services provided to clients.

The extensive media coverage of this issue may also have led to confusion among clients, some of whom may have avoided contacting a service because of something they had heard or seen in the media – which may not necessarily have been accurate. It may also have a bearing on the willingness of services to work with FACS in the future, or to fully implement the reforms as intended. As such, the extent to which services were ‘brought along’ has a value in and of itself, for FACS, services and for clients, as good will and trust between service provider and funder may influence the final quality of the service received by clients in the system.

#### 4.4 Lessons learned

While the two year reform timeframe was theoretically doable – evidenced by the fact that FACS was able to implement the reforms within a month of this original deadline – there may have been costs in terms of relationships to pushing on with the reform deadlines. The key learnings here are:

- The extent to which services are ‘brought along’ as part of a major reform process has a value in and of itself – for FACS, services and for clients. Timeframes that do not allow for developmental processes in situations like this run the risk of compromising future relationships with services, clients and the community.
- Building leeway into a timeline will allow for the kind of contingencies that will inevitably occur. If early stages of the reform plan do not run to time, then consideration should be given to extending deadlines to avoid creating undue pressure on staff and the sector.
- An initial assessment of an organisation’s and a sector’s preparedness to embark on a large-scale reform process will help to identify any gaps in resourcing, structure or staff at the outset and plan to address these in such a way as to avoid impacting the process.

## 5 Governance / Stakeholder engagement

### Summary findings

- FACS compiled a diverse range of experienced stakeholders to advise them on key aspects of the reforms. The involvement of consumer representatives on the Panel of Experts is notable and commendable.
- Governance arrangements permitted high quality input from representatives of the sector, relevant experts and FACS District staff. These individuals were influential at key points of the process.
- The use of confidentiality agreements for peaks at some stages during the process allowed early discussion of issues, but created mistrust and suspicion in the minds of some stakeholders as to what peaks knew and when. Peaks played an important ‘go-between’ role between FACS and the sector, and greater freedom to share information would have promoted more transparent consultation, open debate, and trust.
- FACS put considerable effort into communicating with the sector throughout the GSHS reforms. The vast majority (86 per cent) of survey respondents considered that they had an excellent or good understanding of the GSHS reforms, and why FACS wanted to make the changes. Peak bodies played an important role in disseminating information to their members.
- FACS could perhaps have done more to communicate where and in what ways stakeholder feedback had been incorporated into the reforms, to provide visibility of where input had and had not been actioned, and the reasons for those decisions.
- Some stakeholders found information confusing, particularly in terms of being conflicting and received late. A section of stakeholders also considered that the communications were not genuine or were dishonest in some way – for example, some expressed the perception that decisions had already been made and consultation was just for show. Against this, some stakeholders considered that the process exhibited many elements that could be considered ‘ideal’ for an effective model of community engagement.
- When the tender process began, communication became substantially more circumscribed, due to probity concerns. This had largely been unexpected by the sector and created distrust and suspicion as a result.

This section sets out the governance and stakeholder engagement activities and processes that were put in place to support the GSHS reform. It sets out the key activities that were undertaken, the roles and responsibilities of the parties involved, the issues that arose, and the main lessons learned from this phase of the project for future similar processes.

## 5.1 Governance arrangements for GSH

The governance structure to oversee the implementation of GSH collectively comprised senior departmental leadership, representation from peak organisations, expert input, and working groups to provide advice on key components of the reform program.<sup>30, 31, 32, 33</sup>

In the main, there were three governance groups:

**The GSH Project Board (PB)**, which provided executive oversight of the implementation of the project. The Group was chaired by the FACS Housing NSW Chief Executive, and members included high-level representatives of the relevant operational areas of Housing NSW and FACS more broadly. According to the Terms of Reference<sup>34</sup>, the PB was to:

- Provide strategic direction on the reform program and make connections with relevant policy and program areas within and external to FACS;
- Ensure that relevant business areas of FACS are effectively contributing to the reforms;
- Ensure delivery on time and within budget; and
- Report to the FACS Executive on reform implementation.

**The GSH Sector Reference Group (SRG)**, which comprised the six main peak representative bodies involved in homelessness: Homelessness NSW; Domestic Violence NSW; Yfoundations; NSW Council of Social Services; NSW Federation of Housing Associations; and Shelter NSW. The Terms of Reference<sup>35</sup> stated that the role of the SRG was to:

- Provide high-level strategic policy advice and guidance to the Minister, Chief Executives of Housing NSW and Community Services, and the SHS Reform Team;
- Represent the diverse views of the sector;
- Participate in the design and development of the reform program and its elements;
- Facilitate consultation with specialist homelessness services;
- Facilitate input from consumers of their member organisations;
- Share their expertise and experience in homelessness service reform; and
- Assist in the development of options and help identify opportunities for improving the specialist homelessness service system.

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<sup>30</sup> FACS 2014 *GSH Implementation Review Evidence Review Summary*

<sup>31</sup> GSH Governance Overview

<sup>32</sup> Panel of Experts

<sup>33</sup> Sector Reference Group

<sup>34</sup> Project Board Terms of Reference, n.d.

<sup>35</sup> SRG Terms of Reference, n.d.

The Minister appointed peak body representatives to the SRG. These peak groups were responsible for selecting their own representatives.

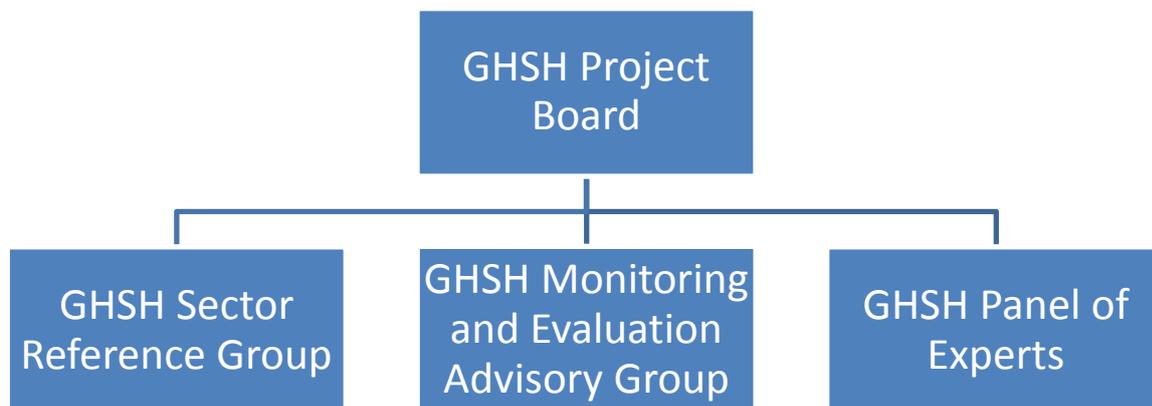
**The GHSH Panel of Experts (PoE)**, made up of members with extensive experience and expertise in the field of homelessness, which was established to advise and provide high level, strategic guidance on reform directions. Two members of the Panel of Experts had lived experience of homelessness. According to the Terms of Reference<sup>36</sup> for the PoE, it was to:

- Provide high-level strategic policy advice and guidance to the Minister, FACS and the sector as required on key elements of the reform;
- Bring their particular expertise on individual elements of the reform on an ‘as needs’ basis; and
- Share their expertise to support the development and implementation of the reform agenda.

In addition, Working Groups were established ‘to oversee key components of the reform work’.<sup>37</sup> These met on an ad hoc basis and were composed of FACS and external stakeholders.<sup>38</sup> These progressed activities in more detail – for example, there was a Planning Working Group, Access Working Group, and Practitioner Working Group, each of which worked through the detail of design and implementation issues relevant to their group. For example, the Resource Allocation Model (RAM) working group was mainly active during the development of the RAM and were invited along with the SRG and PoE to the RAM workshops. The Access Working Group commenced in late 2012 and was still operational in early 2015, though the frequency of meetings has reduced.

The relationship between these processes is shown in the figure below.

Figure 5-1: Governance structures



Source: FACS

<sup>36</sup> PoE Terms of Reference, n.d.

<sup>37</sup> Going Home Staying Home Overview of Governance and Consultative Structures, n.d.

<sup>38</sup> Going Home Staying Home Overview of Governance and Consultative Structures, n.d.

Day to day implementation and delivery was also supported by internal governance mechanisms, including the Program Control Group, the Policy Reform Managers Group, and the GSH Steering Committee.

## 5.2 Effectiveness of and issues with governance arrangements

### 5.2.1 Role and authority

The PB was made up of senior FACS Executives, including the Chief Executive of Housing NSW (as Chair) and six relevant Executive Directors, District Directors and Directors. The PB Terms of Reference state that the group is to ‘provide strategic direction on the reform program’. As such, this group does not have an explicit decision making role – although the Terms of Reference give it ultimate responsibility for ‘ensuring delivery on time and within budget.’

In the main, according to the reports of members, the PB was a means through which to get input into decisions, rather than to make decisions, with decisions subsequently made at Chief Executive or ministerial level consistent with FACS’s standard decision-making processes. However, the PB did have some role in decision making for some issues. For example, it decided on a two-stage tender process, after deliberation of the relevant issues, although it did not decide on the centralised mechanism by which this was done. PB members also noted that papers were often received at the last minute, including those requiring decision. It is possibly for these reasons that some of the PB members interviewed considered that the group did not have real decision making powers. “The Project Board was just a rubber stamp,” said one member.

Board members also talked of deferring decisions to probity advisers on many occasions. These advisers guided decisions not only around the arrangements for tendering, but service design, confidentiality procedures and internal FACS roles and responsibilities (around the division of tasks between Districts and FACS central office). As such, the Probity Advisers represented a major de facto governance body. This is discussed in more detail in Section 7.

Both the SRG and the PoE were advisory bodies to government. The Terms of Reference, as well as FACS’ response to the Ombudsman’s Summary of Issues Raised by Stakeholders, are quite clear that SRG was an advisory forum, and determined neither the scope of the reforms nor the procurement process<sup>39</sup>. This accords with how it was experienced by members, who described it more as a stakeholder engagement process – a group that provided FACS with information, but did not make decisions.

### 5.2.2 Representation, communication and coordination

SRG was established as a mechanism to engage the SHS sector through the peak agencies. Doing so was a practical response to the large (336) number of contracts, and diversity of agencies in terms of both geographic region and client focus (youth, women, etc.). In response to feedback from the sector, membership of the PoE was further revised to include a youth expert and consumers<sup>40</sup>. This demonstrates a genuine effort to enable this group to represent diverse views. Similarly, as the program shifted from the

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<sup>39</sup> Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

<sup>40</sup> Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

design phase to the implementation phase, the PB identified a need to have more District staff involved in the governance processes, and District level members were added to the PB.

There are a number of other representatives that could have been included in the governance structure. Mental health was identified by some stakeholders as a key omission, given the strong link between mental illness and homelessness. However, the addition of new SRG and PoE members would have given rise to difficulties managing a larger group, and these mechanisms were only one way that interested parties were engaged in the process.

While District officers were represented on the PB, it is noted that the involvement of a greater range of District stakeholders – through District-level engagement groups or similar – would have broadened the scope and diversity of stakeholders whose opinions were represented through formal engagement processes. However, on balance, it is considered that FACS compiled a sufficiently diverse range of stakeholders representing different parts of the sector to advise them on key aspects of the reforms.

Communication and coordination between the PB, SRG and PoE occurred principally through the FACS officials who sat on more than one group. Some PB members report generally having a good sense of the outcome of SRG discussions, although not necessarily the detail of the content. Others consider that there was not good visibility of the discussions that were held across the various groups.

The view expressed by some PB members was that it had been necessary to have a separate PoE, as the SRG would have been ‘captured’ by sector interests. As such, the PoE was established with the intent of “having] an independent body, not representing the sector, which could provide independent policy advice”, as described by a FACS officer. However, members of the PoE and PB reported having little visibility of the SRG, and SRG members reported feeling that the SRG and PoE could really have been merged due to a lack of clarity regarding any difference in purpose between the groups.

Summary documents of at least some early SRG meetings were produced by FACS and distributed publicly, providing an overview of the main decisions and direction of discussion<sup>41</sup>. PB meetings were documented through minutes. In addition to late circulation of papers noted above, members on some of the bodies also commented that there were a lot of meetings, and “it wasn’t always clear why”. Resolving some of these more administrative aspects of the governance process might have made better use of the calibre of people who were available.

### **5.2.3 Role tensions for peak agencies**

Each peak agency on SRG is driven by both client interests, and the interests of their agency members. This gave rise to a tension, particularly when they were called to balance system changes that may have benefited clients, but may have negatively affected member organisations (and jobs). This was a theme raised consistently throughout consultations.

Confidentiality agreements were in place for at least certain parts of SRG discussion, to allow early confidential discussion of draft documents. While confidentiality agreements facilitated this purpose, stakeholders also reported that it constrained their ability to effectively communicate with the sector, and created some distrust of agencies towards their peak agencies, as there wasn’t transparency about what

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<sup>41</sup> FACS - Going home staying home, Sector Reference Group: Meeting Summary, 14 September 2012

they knew, when they knew it, and what decisions they had contributed to. This is discussed further at 5.2.6.

It was also raised in the qualitative survey comments that some survey respondents chose to make. For example, one respondent stated that: *“[the operation of the peak groups on the governance bodies] is totally contrary to the peak’s role as representative bodies. Where they are to represent their members on any working group or forum they must be able to inform the members of the content and discussions of the meetings, the nuances and implications, then seek member input and feed that back to the working group’*. Some stakeholders called into question the ability of the peaks to act any differently in the circumstances - *‘We understand peaks also felt vulnerable about their own funding and the Department knew this.’*

#### 5.2.4 Line-of-sight to whole-of-system outcomes

As only part of the decision making process was occurring within the constituted groups, whether there was an adequate line of sight to a whole-of-system view of the new arrangements is a question. For example, while the reforms explicitly sought sector diversity and FACS provided targeted tender support to organisations with five or less staff, the reforms did not anticipate the impact of the scale of change in terms of the shift in the overall profile of services towards larger organisations.

PB members also reported only seeing things in isolation, so for example they were asked to commit resourcing to something, but without a clear idea of what else that resourcing could have been spent on. The PB was also asked to deal with many issues out of session. Time constraints were identified as contributing to this. In addition to the fact that decision-making variably involved the PB, Chief Executive and the Minister, these factors may indicate that no single group had a clear sense of visibility or responsibility for the whole-of-system outcomes, and that these did not become apparent until it was difficult to avert them.

#### 5.2.5 Confidentiality

Considerable information and draft material was made public during the course of the reforms. However, the level of communication was severely curtailed once the procurement process commenced due to probity concerns which appear to have impeded the effective operation of both the PB and SRG. For example, PB members noted that they saw the outcomes of the tender process in terms of summary information on how services had been scored against quality indicators, but were not provided with the information on which the decisions had been made, due to probity concerns. This severely limited their ability to question any decisions that had been made.

The confidentiality provisions that applied to SRG also affected the ability of the members of SRG to effectively represent the views of their members. SRG members said that there was a perception among the sector broadly that, as they were at the table, they were responsible for the decisions that were made. The confidentiality provisions meant that the other parties did not know – and could not be told – what SRG did and didn’t have involvement in, and that stakeholders assumed that representatives knew things they didn’t – giving rise to general mistrust of the group from external parties, principally the member agencies that the peaks were supposed to represent. As one PB member said, *“this put [SRG] in an invidious position”*.

Effective policy collaboration in design depends on as much information sharing as possible. The use of confidentiality agreements during the process was a double edged sword. It allowed early discussion of

issues, but ultimately created mistrust. Peaks played an important ‘go-between’ role between FACS and the sector, and sharing sensitive information on a confidential basis resulted in reduced engagement of a broader audience, and limited the ability of peak agencies (in this case) to fulfil their responsibilities to members and, ultimately, clients. The SRG peak representatives were already going to be in a difficult position balancing client and member demands. The addition of the confidentiality arrangements made their position untenable, and reduced the effectiveness of FACS’ intention of utilising peak organisations as a conduit to consult with sector organisations.

Rather than requiring SRG members to sign confidentiality forms, effectively applying blanket confidentiality to all information shared with them, it may have been more appropriate to flag specific documents or pieces of information as confidential on a case-by-case or as-needs basis. Had this been the case, meaningful involvement of provider representatives and line of sight any individual or group had of whole-of-system impacts would have been stronger. As such, future processes should fully consider whether blanket confidentiality agreements with advisory bodies are sufficiently warranted by the degree of associated risk, and whether this outweighs the value of an open arrangement that supports transparent decision-making.

### 5.2.6 Visibility of impact

In many ways, PB, SRG and PoE were able to be effective in their roles. The SRG and PoE met regularly, and attendance was described as good. FACS staff considered that SRG, particularly, was highly influential in decision making, and that there were multiple times that FACS had “gone in [to SRG] with Options A, B, and C, with a preference for A, and come out with Option D, which was implemented.” FACS also talked of particularly valuing the perspective that the consumer representatives brought to the PoE.

Some members indicated that, through their involvement in SRG/PoE, they were able to advocate effectively for their client group and achieve good outcomes. SRG members identified the following as items they were influential in:

- Input into service delivery framework – around rapid rehousing, sound advice about prevention, and so on;
- The Employment Assistance Scheme; and
- The Resource Allocation Model (RAM) – about which there was a good discussion at SRG on issues such as weightings, factors and so on.

A Yfoundations presentation to the sector notes that as a result of their participation in SRG, “We have had a direct line to the Minister... We have had influence and been able to raise concerns of the sector and get things changed.”<sup>42</sup>

Overall, though, SRG members seemed unconvinced as to how influential they had been. They pointed to situations where they put up options that were not agreed, including advice around new entrants to the system, tendering methods and the extent to which pricing should have been made public. FACS noted, in response, that where a position was considered, having the SRG and PoE enabled them to take into account

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<sup>42</sup> Yfoundations Feb 2014 General Meeting: PowerPoint

the views of the sector effectively. While the SRG's position was not always adopted, their views were taken into consideration through that process

As not all deliberations were public, it is hard to judge the extent to which the SRG and PoE were influential. However, given that FACS considered the SRG and PoE to have been highly useful, it is possible that more could have been done to communicate the impact of the input the groups had into the process publicly – and to the groups involved. However, the confidentiality provisions around the discussions did make it difficult for FACS to represent much of the substance of the discussions externally.

Future processes may wish to aim for a clear role for advisory groups, with clear roles and responsibilities that streamline the process of providing input into policy decision making and clarify expectations about how interactions will evolve during a reform process that involves changes to funding arrangements for services.

## 5.3 Stakeholder engagement

### 5.3.1 Stakeholder engagement and communications strategies

FACS put considerable effort into communicating with the sector throughout the GSH reforms. There were extensive consultation processes in place throughout the development,<sup>43</sup> service delivery design,<sup>44</sup> and streamlined access<sup>45</sup> phases of the reforms through working groups, written communications, workshops and stakeholder fora. The peaks provided additional communications – often including commentary – to their members.

Twenty-five fact sheets were published on various aspects of the GSH reforms on the GSH website, including:

- District fact sheets outlining preferred providers, partner organisations, service description, client groups and accessibility for Aboriginal clients for each new service (published on the GSH website at tender announcement in June 2014);
- Women's services under the GSH reform; and
- Responses for women and their children who are escaping domestic and family violence.

Eighteen E-Newsletters were also published on the GSH website and distributed to the sector over the reform period. FACS also published some of the submissions on discussion papers received from providers, where they consented. Summaries of at least some of the SRG meetings were published on line. A GSH hotline was established, and has remained available for input and queries. In total, the number of enquiries received by the hotline between November 2013 and 7 September 2014 was 1,306, broken down as follows:

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<sup>43</sup> Activities are summarised in the *Consultation Summary Report*

<sup>44</sup> Activities are summarised in *ARTD - FINAL outcome of workshop role SHS service system*

<sup>45</sup> Activities are summarised in the *Client Access Strategy - workshop paper*

Phase	Date Range	Total Enquiries Received	Average Response Time (days)	Median Response Time (days)
<b>Pre-qualification &amp; Tender Phase</b>	20/11/13 to 7/2/14	753	6	0.5
<b>Assessment Phase</b>	8/2/14 to 12/7/14	226	7	3
<b>Post Announcement Phase (to date)</b>	13/7/14 to 28/01/15	630	4.5	1
<b>Overall Totals / Averages</b>		<b>1609</b>	<b>5.8</b>	<b>1.5</b>

Source: FACS data

Some of the SRG members engaged in additional information sharing, including re-publishing FACS materials on their websites, and producing their own summaries for their sector members – including publishing letters to the Minister on their position on the reforms. Some peaks also gave presentations on the reforms to members and made these available publicly.<sup>46</sup> The NSW Women’s Refuge Movement (now Domestic Violence NSW) distributed numerous communications on the reforms to its members, including some which highlighted the case for reform<sup>47</sup>, and publicly published its submission outlining key areas of agreement and disagreement with the reforms.<sup>48</sup>

Following the initial consultation paper released in July 2012, a series of 15 regional forums were held during July and August 2012. Forums were also held with the City of Sydney Homelessness Services Interagency (18 July) and the Premier’s Council on Homelessness (29 August), as well as a teleconference with Aboriginal Specialist Homelessness Services (24 August). In addition, 75 written submissions were received from peak bodies, individual SHS and homelessness service providers and other stakeholders that provided more detailed responses to the consultation questions.

In total, five rounds of District level face to face forums/briefings were held over the total reform period. About 178 face to face forums were held between July 2012 and February 2014. Most SHS and NPAH providers attended at least one of these.<sup>49</sup> Specific additional consultations were held with Aboriginal organisations Murdi Paaki and with Aboriginal Specialist Homelessness Services in the early stage of the reform process. An additional round table was held for inner-city Sydney services on 16 December 2013, to consider issues specific to the inner city region, with additional workshops held to develop and test the streamlined access tools. These were often followed by publishing slides, summaries of issues or question and answers. Outside of this, services could ask questions or provide input through FACS District office staff, peak organisations, or the dedicated hotline.

<sup>46</sup> Yfoundations update to Feb 2014 General Meeting

<sup>47</sup> Communication with DVNSW representative

<sup>48</sup> NSW Women’s Refuge Movement Inc., Response to the “Future Directions of Specialist Homelessness Services: Consultation Paper. Available from [http://dvnsw.org.au/downloads/Ghshsubmission\\_WRM\\_Final.pdf](http://dvnsw.org.au/downloads/Ghshsubmission_WRM_Final.pdf). Accessed December 2014.

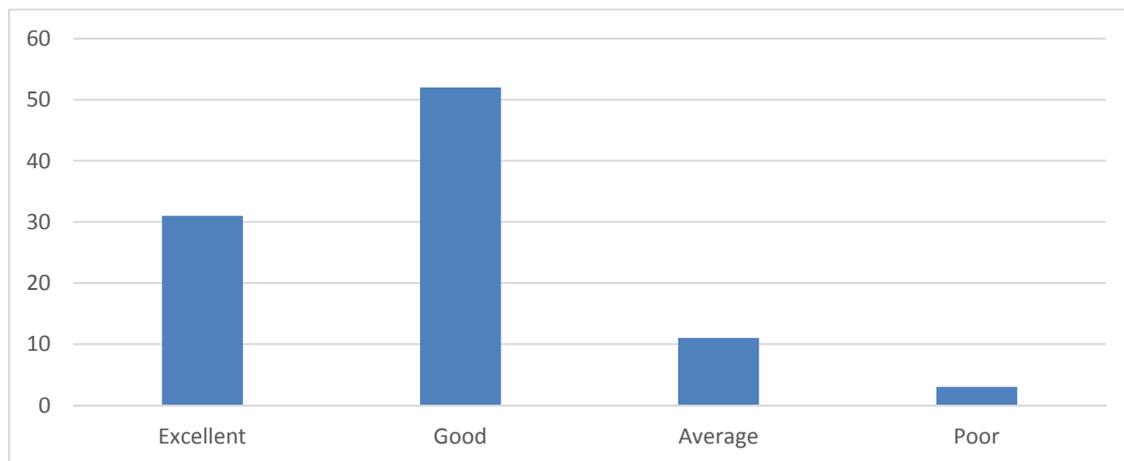
<sup>49</sup> Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

### 5.3.2 Access to information

A consultation report drafted following a series of 15 regional forums and 75 written submission notes that there was broad in principle agreement for service system improvement, ‘recognising the opportunity to build on the existing strengths of the specialist homelessness service system and the innovative approaches that have already been adopted by local and regional services’<sup>50</sup>. The SRG also noted that the sector was generally supportive of the need for change, and that this was not a major issue. In summary, stakeholders consider that they were informed about the need and rationale for changes, and the case for change appears to have been broadly supported.

This is backed up by the survey responses, which showed that stakeholders considered that they had a good level of general knowledge of the GSH reforms.

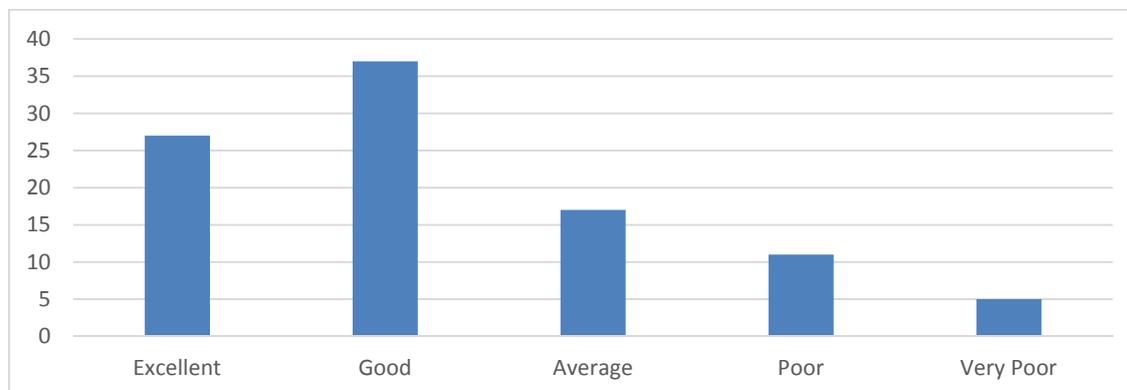
Figure 5-2: Survey question: How would you rate your level of general knowledge of the GSH reforms?



Source: GSH Provider Survey Results 2014

<sup>50</sup> FACS Consultation Report

Figure 5-3: Survey question: How would you describe your understanding of why FACS wanted to change homelessness services funding distribution and policies?



Source: GSH Provider Survey Results 2014

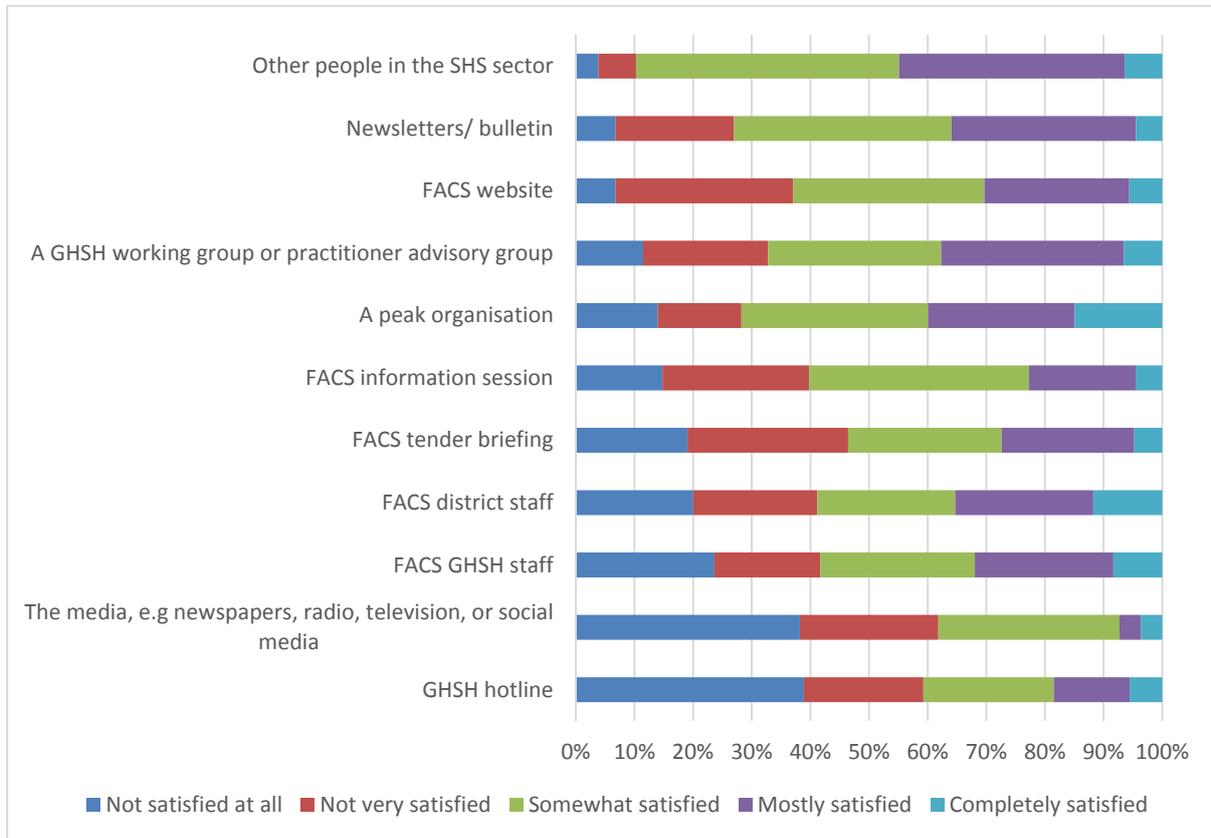
As Figure 5-2 indicates, 83 respondents (86 per cent) considered their general knowledge of the GSH reforms to be good or excellent. Only three respondents (3 per cent) considered their level of knowledge as poor. Responses regarding service representatives' understandings of why FACS wanted to change homelessness services funding distribution and policies (Figure 5-3) were similarly distributed. Responses for these questions were broadly similar for services, regardless of the size of the service in terms of FTE.

More respondents said that they received information from a peak agency than any single FACS source; 90 respondents received information from at least one peak agency, with 75 contacting the most commonly accessed agency. The next five most common ways respondents had accessed information were from FACS sources: the FACS website and FACS bulletins (89 respondents each), FACS information sessions (88 respondents), FACS District staff (85) and FACS tender briefings (84). Seventy-eight respondents said they got information from 'other people in the SHS sector', indicating that informal communication channels and 'word of mouth' were a key information source for many. These proportions were similar for services in metro and non-metro areas, although it is noted that around five per cent of services in non-metro areas reported not accessing the FACS website, while no metro service said they had not accessed this resource.

Services were asked why they did not access the sources of information they reported not using. In the main the services indicated that it was because they did not think it would help them. There were low responses for not having access to the IT or other resources they would have needed to do so. However, eight respondents said they had not heard of the GSH Hotline, which was one of the main communication mechanisms FACS set up for the sector. Around 70 per cent of respondents indicated they had not heard of the GSH Working Groups.

Figure 5-4 below indicates respondents' level of satisfaction with the information they received from the sources they used.

Figure 5-4: Survey question: How satisfied were you with the quality of information provided by these means? (for those means accessed only)



Source: GSHS Provider Survey Results 2014

Overall, the highest levels of mostly or completely satisfied responses were reported for peak organisations<sup>51</sup> and ‘other people in the SHS sector’, followed by FACS mechanisms such as District staff and newsletters (25 percent mostly or completely satisfied) and the GSHS website (30 percent completely or mostly satisfied). The lowest level of satisfaction for direct sources of information was reported for the GSHS hotline. Nearly 60 per cent of respondents indicated they were not very satisfied or not satisfied at all with this source of information. This was second only to the media in terms of dissatisfaction.

Where survey respondents indicated that they had not been satisfied with a source of information, the opportunity to provide additional information was provided. Thirty-two individuals offered opinions.

These responses considered that information was inconsistent between sources and between time periods, and often lacked detail. For example, “There was too much information from too many sources which made it very confusing”. This may have been a factor associated with the many and varied ways that FACS attempted to communicate with the sector.

<sup>51</sup> Note: respondents were able to choose specific peak organisations. The responses have been aggregated and the average reported here.

It was also conveyed that information was not delivered in a timely way, and that by the time survey respondents received any information, they were not in a position to act upon it effectively. *“There was no knowledge of what was actually involved in tendering until the tender invitation was issued”*. This points to the tight timeframes around the tendering process, which were discussed in Section 4, are discussed further at Section 7.

Survey respondents also expressed views that the information delivered to them was not always transparent. *“We do not believe it was open and honest information”, “We would have liked balanced unbiased information...something transparent, not covered up”*. The sentiment that some aspects of consultation were not genuine and just ‘for show’ – with decisions already made – was expressed throughout consultations. It appears to point to the difficulties that FACS had with communication once the service planning stage was underway (discussed at Section 6), as well as effectively communicating where and how input was being used and where it was being influential in the process, discussed further below at 5.4.1 and 5.4.2.

Suggestions for improvements included the availability of more direct and/or single contact points, such as *“We would have liked one point of contact or one comprehensive communication”*, improvements to the hotline to ensure that all enquiries were dealt with in a timely manner, a greater number of meetings and/or workshops with FACS – either in person or via webinars. There were also specific requests for more information from local Districts. *“It would have been great to have information from our local office”*.

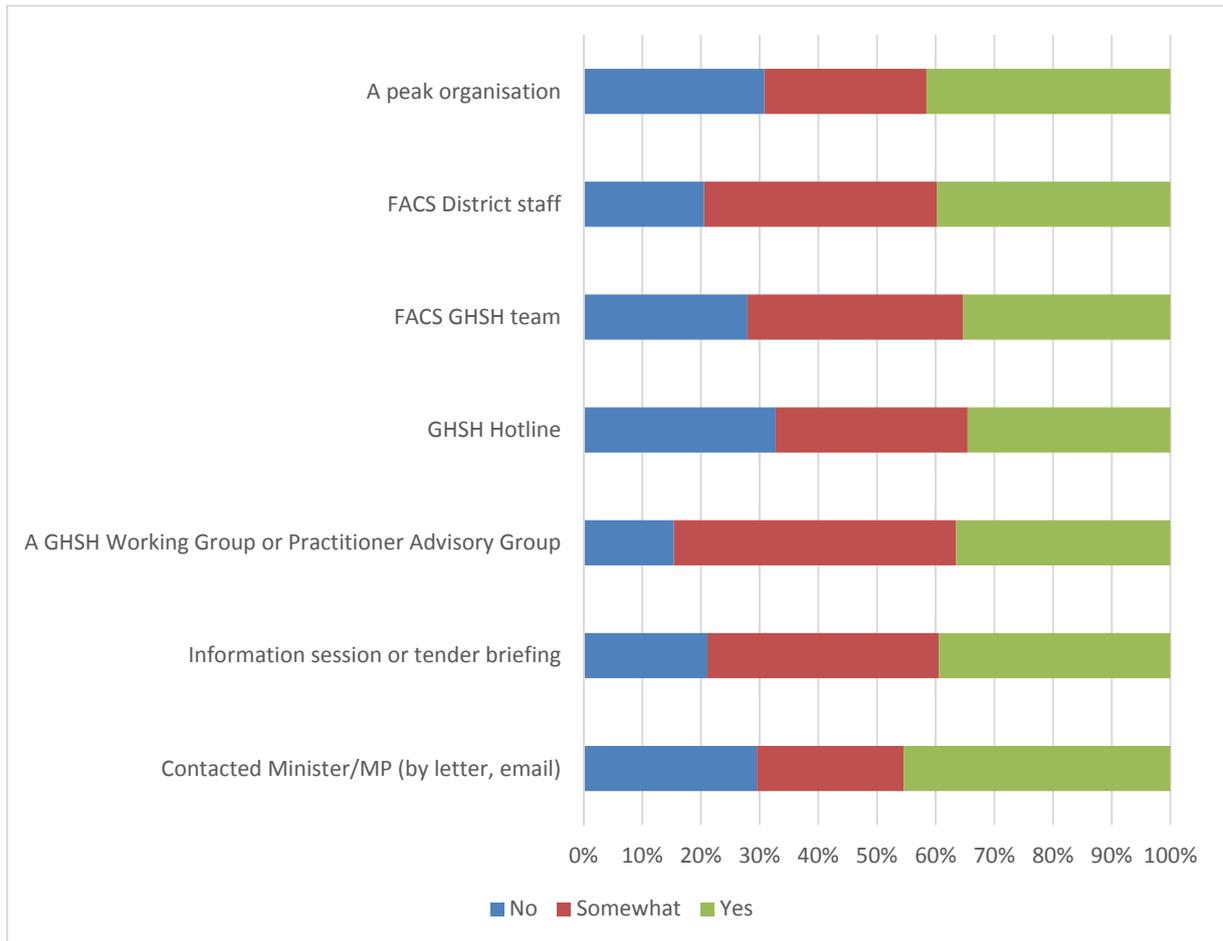
### **5.3.3 Providing input to the process**

Services were also asked in the survey about the ways they had provided input into the process. The highest response was for FACS District staff, with 73 respondents saying they had provided input through this channel. Seventy-one respondents said they had attended a FACS information session or tender briefings. Sixty-seven had provided input through a peak. Forty-four respondents provided input by contacting the Minister or another Member of Parliament.

These responses were broadly similar for metro and non-metro services, although non-metro services reported being slightly less likely to use FACS mechanisms (including the hotline, FACS GHSH team and District office staff) to provide input, and slightly more likely to provide input via peak bodies.

Survey respondents were also asked about the extent to which they consider that their input was listened to (for those mechanisms they indicated having used to provide feedback). Figure 5-5 below shows the responses received.

Figure 5-5: Survey question: To what extent do you consider the input you provided was listened to? (for those mechanisms used to provide feedback).



Source: GSH Provider Survey Results 2014

This figure indicates that the survey respondents generally considered that the input they provided was at least somewhat listened to. In terms of FACS mechanisms, responses were broadly favourable. Input provided to a GSH Working Group or Practitioner Advisory Group was most likely to be considered to have been listened to, with information provided through the hotline, the least. Feedback provided to a peak agency<sup>52</sup> was rated in between these two.

Where respondents indicated that they considered their input had not been listened to, they were offered the opportunity to provide feedback as to what had made them say this. Some expressed the view that there had not been enough communication or input opportunities at a local level. Given a number of opportunities had been available, it may be the case that the respondents wanted more, or had not known about the opportunities that existed.

<sup>52</sup> The survey allowed respondents to select individual peak agencies. Responses have been aggregated and averages are presented here.

Several took the opportunity to express their appreciation of the contribution that peak groups made to communication, for example: *“The updates from the peaks ...to their members... were regular, timely, informative, and consultative and they should be congratulated for their contribution and advocacy throughout the reform.”*

Many survey respondents believed that the final results did not adequately leverage capacity within the sector. For example, one said: *“The reforms from our perspective paint the youth homelessness issue as a housing problem which is one dimensional and certainly does not take into consideration the wealth of knowledge and experience in the sector and the experiences from other states in successfully dealing with the challenge.”*

A number expressed the opinion that the process was too ‘top down’, with consultations seen to be paying ‘lip service’ only. Decisions regarding GSH had been made before the consultation process was implemented said some respondents; the *“whole process was geared towards larger organisations”* said one. The impact of the process on smaller providers has received considerable criticism. While the lack of directly comparable data on service size makes it difficult to fully understand the effect of the reforms on services of different sizes, larger service providers generally found it easier to accommodate the tender process than smaller providers. This is discussed further at 6.6.6.

These responses tend to go to whether or not the sector could see its input reflected in the shape of the final GSH reforms. Where they did not, they may have perceived the communication and engagement activities as just ‘for show’, or not genuine. It is noted that input received from the sector may have been listened to, although not necessarily acted on for a variety of reasons. This is similar to the situation for the SRG members, who reported being unsure of the extent to which that they had been listened to. To avoid this, FACS should have provided greater transparency and more information about what views were heard, and where and how these were taken into consideration through that process.

## **5.4 Effectiveness of and issues with stakeholder engagement**

In terms of whether stakeholder management processes were experienced as inclusive and cooperative, there appear to be two distinct stakeholder engagement phases: before service design, and post-service design.

### **5.4.1 Stakeholder engagement pre-service design**

FACS intended that this process would be viewed as a partnership with providers. In many ways, FACS did endeavour to bring providers along with them through the change – particularly in the early phases. At times FACS was only able to provide high level details, on the expectation that providers would enter into a highly collaborative design process and work together with FACS to come up with the detail and direction. These high level objectives are in line with best practice, and stakeholders talked of an experience in its early phases that came close to an ideal engagement process – ‘a case study of effective engagement’, one interviewee called it.

Some criticisms were received about this phase, particularly that the input provided through GSH consultations did not really influence the process, because key decisions had already been made. In

particular, some stakeholders felt that a decision to defund women's services had been made.<sup>53</sup> (While no women's refuge owned by the NSW Government closed as a result of the reforms and the total number of services for women and their children increased<sup>54</sup>, the funding and organisational arrangements for many of the services changed, leading to the widespread mistaken belief that services had been closed.)

However, FACS contends that it did make a number of changes to the reform approach as a direct result of feedback from the engagement – including a shift away from individualised approaches and refining the governance approach.<sup>55</sup> Changes to the overall pattern of funding arrangements for some crisis services, including some women's services and smaller services, which may have struggled to compete against larger services, appear to derive more from the interaction of issues related to timing (tight timeframes) and governance (lack of line of sight to whole-of-system outcomes) rather than a deliberate decision.

As with the SRG and PoE, FACS had the opportunity to include information on the views heard, and where changes had been made as a result, in the consultation reports and regular email communications it undertook. While confidentiality may have constrained this in some instances, it may have made the sector feel its input had been listened to and valued, even though not every suggestion could be taken up. However, despite these concerns, the Ombudsman's summary of issues identifies that overall stakeholders generally considered initial consultation about the premise of the reforms to be genuine.

#### 5.4.2 Stakeholder engagement post-service design

A fundamental shift is described by both FACS and the sector when the tender process began and communication became substantially more circumscribed. On advice from the probity advisers, FACS made the decision that on-going communication with the sector regarding service design could lead to perceived conflicts of interest (discussed more in Section 6 of the report).

The issues and logic in terms of tender probity are outlined fully in Section 7. However the effect, in terms of stakeholder engagement, was that FACS was perceived as having gone from being open and engaged to closed and lacking transparency. FACS officers consider that this led to mistrust, and to some extent undid the good work that had occurred to that point. Had services understood that this was where the process was heading, they may have anticipated it better. As it was, it came as a shock.

This sense is conveyed in qualitative survey responses, where many survey participants took the opportunity to voice the view that the concerns they expressed were not addressed, that the feedback they provided through the peaks was not considered by FACS in any real way, and that consultation occurred too late in the process. *"It was very clear that GHSH staff, hotline and central administration had already made up their minds about the reform process and had already predetermined the answers they wanted,"* said one response.

It is noted that the issues in communication that emerged at this point affected not only relationships between FACS and external stakeholders, but also between FACS central office and the Districts – with

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<sup>53</sup> FACS Ombudsman's Summary of Issues Raised by Stakeholders and FACS Response, KPMG stakeholder consultation.

<sup>54</sup> FACS 2014 *GHSH Women's Refuges – The Facts. Fact Sheet, November 2014.*

<sup>55</sup> FACS Ombudsman's Summary of Issues Raised by Stakeholders and FACS Response

information about the service packages, tender arrangements, and in some instances how District-specific information had been included in packages, all being managed in FACS central office.

The number and type of complaints received from the sector subsequent to the conclusion of the procurement process<sup>56</sup> also indicate that some of the outcomes of the process were unexpected, despite the information that had been provided.

Two factors have been identified as contributing to this:

- The lack of explicitness in materials about the potential negative impacts of the reform process. For example, the February 2013 Reform Plan and November 2013 RAM Fact Sheet talk about allocating resources towards need, and redistributing resources to where they are needed most, and note that changing funding levels across and within regions will require careful planning to ensure continuity of services.<sup>57</sup> The documentation says that the number of contracts would be reduced, but does not specifically say that some organisations might be defunded. Although this could be deduced, it came as a shock to some providers that this was the outcome. Even where it could have been deduced, some stakeholders also mentioned that, among the sector, there was a degree of disbelief that the system would really be reformed along the lines that were being proposed, or that if it was, it wasn't their service that would be affected.
- The lack of experience of some providers in the sector with genuine, structural reforms, which led them to under-estimate the potential impact on individual services of reforms of this nature – despite all of the communication activities that were undertaken. The scale of change was unprecedented for the sector and a number of providers were simply unable to prepare themselves adequately for the change.

This last point also touches on the extent to which the information provided was adequate for the sector to implement the changes. Due to the constraints of time, the consultation and engagement processes were principally based around information dissemination, i.e. information sessions, briefings and newsletters. Such mechanisms are suitable for an information campaign, but additional activities may have been useful for engaging the sector and the broader community in a process of reform, including behavioural and organisational change. While the case for change may have broadly been accepted, feedback from stakeholders suggests that many providers – particularly the smaller ones – still did not have a sense of what this would mean for them, or what they needed to do differently.

An explicit, specialised change management framework for the sector would have helped FACS to understand where services were starting from, helped services to better understand and prepare for the changes ahead, and supported FACS to work with services more effectively to get to where they needed to be. It may also have helped to level the field more between well-resourced services and less well equipped services.

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<sup>56</sup> FACS 2014 *GHSB Implementation Review Evidence Review Summary*

<sup>57</sup> *Going Home Staying Home Reform Plan*

### 5.4.3 Stakeholder engagement in the lead up to tender announcement

While the scope of this Review does not extend past tender announcement, it is important to acknowledge the media campaign that took place in the lead up to and immediately following the announcement of the tender outcomes, and FACS' response to this. The campaign entailed factually incorrect statements in the media claiming that the changes in funding arrangements for women's crisis refuge services would mean the end of specialist women's services, and the mainstreaming of women into shelters that also serviced men<sup>58</sup>. Comments came both from within the sector and women's issues commentators external to the sector, who had not been engaged directly during the GSH implementation process. It is widely felt among sector representatives that the misinformation about the funding changes contained in these media statements has discouraged some women in crisis from seeking help – either by believing that services were closing, or under the mistaken understanding that they would be forced to share accommodation with men.

While the client impacts and organisational issues that arose during reform transition are issues that will need to be considered in future M&E activities, FACS officials consider that the information strategies they adopted to counter the media campaign were not adequate. Just as FACS would have benefited from a specialised change management framework, a specialised media strategy would also have helped FACS to more effectively respond to the claims and criticisms raised in the media in a way that better supported clients and prospective clients to access accurate information about what would and would not change about the services available to them.

More broadly, the media campaign post-tender and the FACS response to it should be reviewed for lessons learned in future M&E activities. In doing so, the ultimate impact on clients and any change in their willingness or ability to access services in light of what they had heard in the press should be a key research question.

#### Development of Public Social Partnerships (PSPs): The Scottish experience<sup>59</sup>

The Scottish experience with establishing co-design processes and partnerships between Government and non-government providers provides a useful example of the different approaches to competitive tendering for social services that can be considered.

The *Public Services (Social Value) Act* was established in Scotland in January 2013. The Act requires public bodies, where appropriate, to consider the wider economic, social and environmental value services can deliver when selecting suppliers. Through this, government hopes to see greater involvement of charities and social enterprises in service design and provision, which will deliver improvements in service user outcomes and achieve better value for money from public services.

PSPs are voluntary partnerships involving one or more organisations from both the public sector and civil society, and potentially the private sector. The PSP model is based on a co-planning approach where

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<sup>58</sup> E.g. 'Fears funds cut will leave homeless women without shelter' in Sydney Morning Herald 12 April 2014, accessed January 2015 at <http://www.smh.com.au/nsw/fears-funds-cut-will-leave-homeless-women-without-shelter-20140411-36i6a.html>; 'Millions for homeless but refuges in doubt'; SBS News 13 June 2014, accessed January 2015 at <http://www.sbs.com.au/news/article/2014/06/13/millions-homeless-refuges-doubt>

<sup>59</sup> Building Social Value through Public Social Partnerships. Responding to the Social Value Act and the need to transform public service delivery. kpmg.co.uk

organisations jointly design services based on service user needs. This arrangement is designed to place co-production at the heart of service redesign, bringing sectors together to focus on collaboratively creating social value by working to improve the wellbeing of communities and service users.

The input and advice of service users, their family, carers and service staff is critical to the identification and embedding of social value and the development of service transformation. By combining valuable experience from the current service users with the knowledge and experience of external organisations working in the sector, the approach is designed to bring critical challenge and insight. The ultimate goal is to help services drive continued progress towards the ultimate goal of innovative and future-proofed services which deliver enhanced social value.

The PSP model is now seen as a robust and viable approach to the joint re-design of a wide range of services across sectoral boundaries. Understanding of the model has increased significantly with public and third sector organisations actively seeking to engage in the partnership process to ensure that service re-design is carried out more effectively and innovatively. Benefits observed have included:

- Promotion of a more diverse provider market through the knowledge sharing with a range of third sector organisations;
- Supporting third sector organisations to develop relationships with other providers which can enable consortia building and new ways of service delivery;
- Helping third sector organisations to diversify their funding base so that there is a sustainable mix of grant funding and contract driven income;
- The embedding of social value in the commissioning process through ongoing focus on how services can maximise the community benefit they deliver; and
- It is expected that in addition to improved partnership working, the PSPs supported will deliver significant financial benefits.

## 5.5 Lessons learned

- Governance processes that aim to be inclusive of a range of stakeholders are able to better support the expression of diverse views. However, there are advantages in having one group with clear responsibility for the whole-of-system outcomes of myriad decisions. It is desirable to aim for clear lines of responsibility for decision making, with transparency in terms of the inputs and decisions, and that allows for line of sight to whole-of-system consequences.
- The benefits of sharing potentially sensitive information with some key players on a confidential basis should be weighed against the risks of sharing information under confidential privilege – which may include reduced engagement of a broader audience, and limiting the ability of peak agencies (in this case) to fulfil their responsibilities to members and, ultimately, clients.
- The highly collaborative design approach adopted during some stages of the GSH is not necessarily familiar to people. Future similar reforms may benefit from embedding a cultural change approach that includes an educational and developmental component, to support stakeholders to engage and act differently through the process.
- Many stakeholders identified a lack of understanding of where and to what extent their input had been understood and taken into account in the GSH reform process. FACS could have done more to

communicate where and in what ways feedback had been incorporated into the reforms, to provide visibility of where input had and had not been actioned, and the reasons for those decisions.

- An explicit, specialised change management framework may also have helped FACS to understand where services were starting from, and work with them more effectively to get to where they needed to be.
- For future reforms, earlier thinking, debate and discussion is needed around alternative procurement approaches for human services that build on highly collaborative service design and provide a more coherent and consistent approach.
- Where traditional NSW Government procurement methods are applied, it would be better to conclude the collaborative design phase before starting procurement, with a clear demarcation between the two – which is known from the outset. This may avoid confusion, and potential negative flow on effects.
- More explicit discussion or exploration of the potential downsides of the reforms – in terms of losses of agencies, clients, or jobs may, in the long-run, promote good reputational and relationship outcomes.

## 6 Service design and planning

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### Summary findings

- The directions being pursued in the GSH reforms are based on national and international best practice and evidence about what works best in addressing the problem of homelessness.
- Service planning was informed by considerable data analysis and evidence about the level of need [through the Resource Allocation Model (RAM)], taking into account the different levels of social disadvantage, rates of domestic and family violence, and other population characteristics that determine the need for and costs of providing services to particular client groups or in particular geographic areas.
- There was a strong collaborative approach between Districts and FACS central office and the service planning process itself had clear decision making points with clearly defined and allocated roles and responsibilities.
- There was considerable consultation and involvement of stakeholders in the development of the Service Delivery Framework for the GSH reforms. However, providers were not as involved in the development of the new service packages by Districts (due to probity concerns and time constraints) and stakeholders began to feel left out of the process at the service planning stage.
- The shared approach to service planning that devolved responsibility for service planning to Districts provided for responses more closely linked to local needs but also resulted in a lack of uniformity of approach with the number and design of service packages varying between similar size Districts.
- The new service packages were more easily able to be accommodated by larger providers that were better placed to provide an integrated range of services. It was also evident that service planning reflected the need to streamline and consolidate funding for homelessness services.
- Given the importance of mainstream services like health, education and housing in addressing problems with homelessness, more emphasis could have been placed in the service design and planning process on addressing the intersections with mainstream services.

This section deals with the development and implementation of SHS service design and planning around the GSH reform program. It sets out the key activities that were undertaken, the roles and responsibilities of the parties involved, the issues that arose during the process and the main findings and lessons learned from this phase of the project.

### 6.1 Overall Approach

The service design and planning phase flowed from the GSH Reform Plan that was released in February 2013. This Plan outlined five key strategies for the reform of specialist homelessness services in NSW

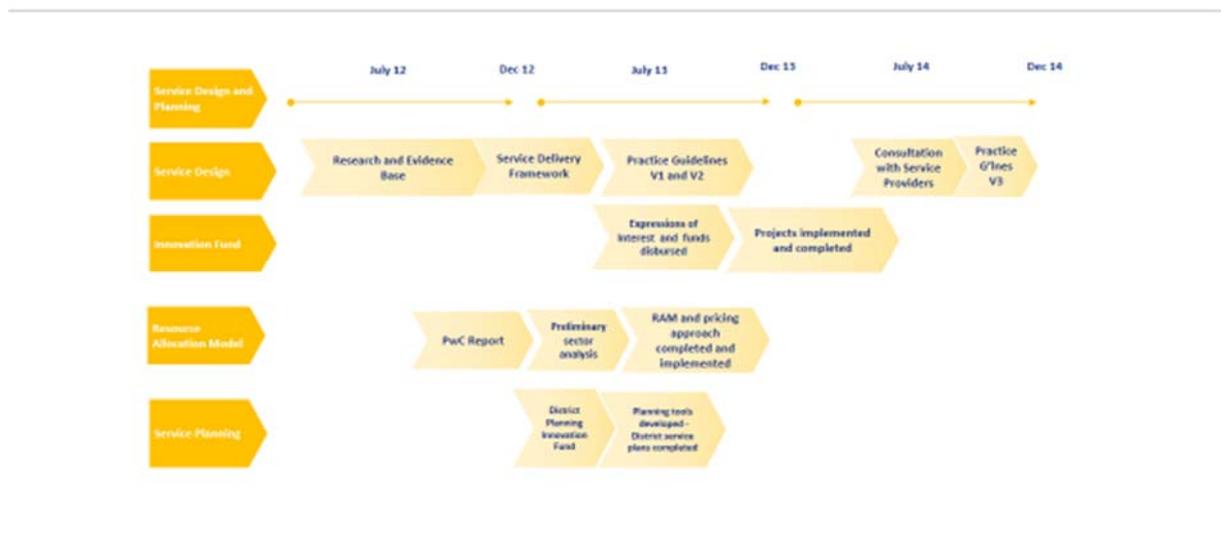
around: service delivery design; streamlined access for clients; better planning and resource allocation; industry and workforce development; and quality, contracting and continuous improvement<sup>60</sup>.

The Reform Plan signalled the Government’s desire to move SHS providers towards a greater focus on prevention and early intervention with services more integrated around client needs. Service design and planning was an integral part of re-orienting the existing service system to achieve these goals as well as increasing the quality, effectiveness and efficiency of services.

### 6.1.1 Key Activities/Timelines

From the documentation provided, the key activities that comprised the overall service design and planning phase are shown below.

Figure 6-1: GSH Service Design and Planning Timeframes



Source: KPMG 2014

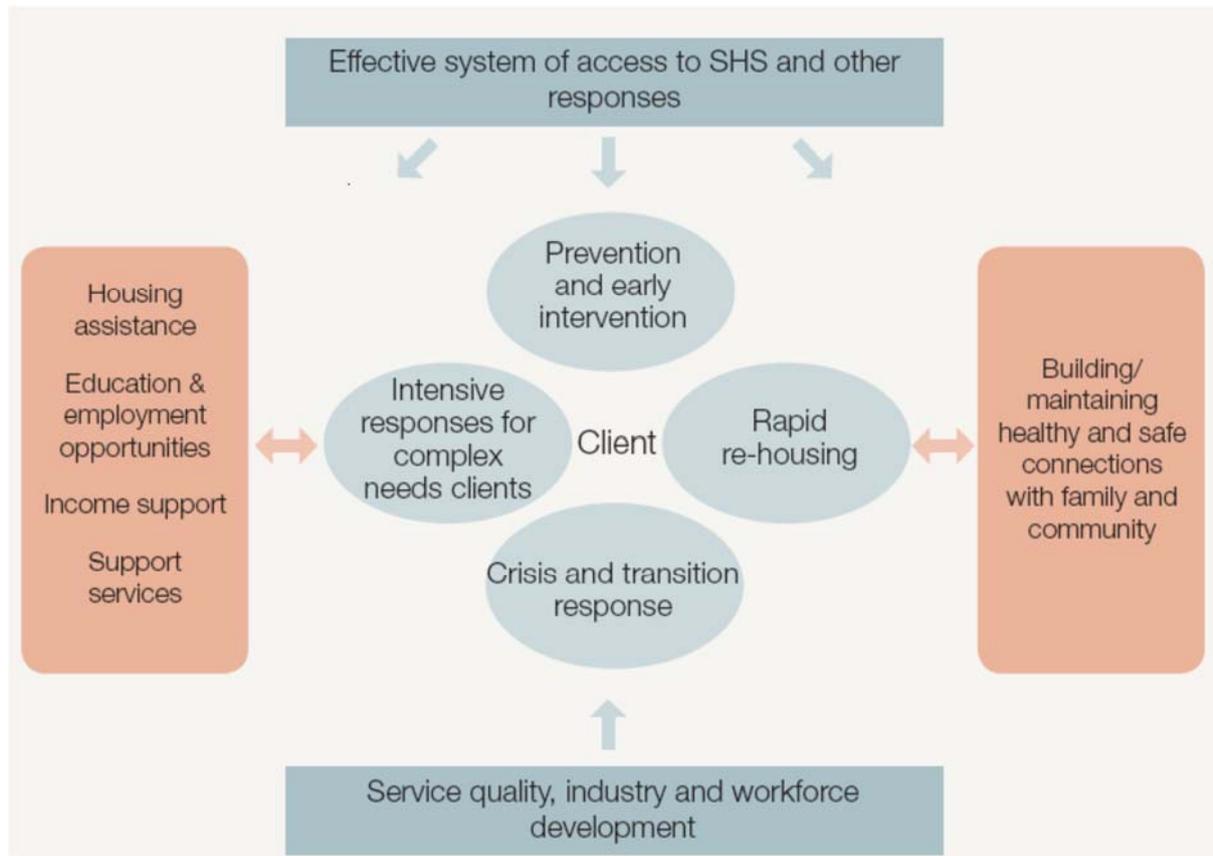
## 6.2 Service Design

The high level service design proceeded over a number of stages and comprised the development of the new service delivery framework and the release of practice guidelines. The GSH service delivery framework was developed following extensive research and consultation with stakeholders including directly with service providers and with the SRG and the PoE. It was also built on the results of the

<sup>60</sup> FACS - Going Home Staying Home Reform Plan, February 2013

Homelessness Action Plan project evaluations and the reform directions being pursued under the NPAH. The framework was outlined in the Reform Plan and is reproduced below.

Figure 6-2: GSHS Reforms Service Delivery Framework



Source: FACS 2013

Under the framework, services are to address client needs through four main service responses:

- Prevention and early intervention;
- Rapid rehousing;
- Crisis and transition response; and
- Intensive responses for complex needs clients.

Access to the system is to be streamlined through a “no wrong door” approach and better linkages established with mainstream services and general community support services. The system was also to be underpinned by the introduction of service quality standards and supported by an industry and workforce development strategy.

A series of Practice Guidelines were released to explain the new service system and reforms. The first version of the Guidelines was released in April 2013 and was aimed at assisting applicants to pre-qualify under the GSHS Prequalification Scheme. A series of face-to-face District-level training sessions on the new approach were held between May and July 2013. A second version of the Practice Guidelines was released

in November 2013 specifically for the tender stage of the procurement process and a final version was released in October 2014. Both later versions of the Guidelines provided a comprehensive overview of the key elements of the new approach to service delivery and how service providers could demonstrate compliance with the new service approach. More detail on these is included in the Section 7.

### 6.2.1 Rationale for New Service Delivery Framework

The rationale for the new service delivery framework was explained by FACS in various documentation as primarily to provide greater flexibility in service responses to focus on client needs. This was contrasted with the system as it stood which was seen as providing fixed service responses and inhibiting providers from offering a greater range of services:

*Specialist homelessness services are currently defined by a set of service specifications that do not accurately reflect recent innovation and the breadth of services provided. The specifications focus on particular client groups and are often linked to crisis and transitional accommodation. This limits service flexibility in responding to client groups with diverse and changing needs and can prevent providers from offering services that range from prevention and early intervention to crisis and post crisis support<sup>61</sup>.*

Whether these policy objectives, to re-focus activity toward prevention and early intervention, were reflected in activities undertaken, and the ultimate impact of any change in activity on clients, will be a key issue for M&E activity going forward.

### 6.2.2 Innovation Fund and Industry Development Fund

A \$2 million Innovation Fund was established to help SHS providers transition to the revised service delivery framework. The funding was made available to assist providers with making changes to the way they operate and help them meet the new service delivery requirements including redesigning services and trialling new approaches.

Priorities for the allocation of funds were identified by FACS in consultation with the Regional Homelessness Committees, Specialist Homelessness Services and the various GSHS governance groups.

SHS providers were able to bid for the funding with applications closing in April 2013. Funds were disbursed over the period from the end of May to early August 2013 and projects were implemented and completed over the period August 2013 to March 2014. A total of 62 projects were funded under the Innovation Fund. At the time the summary report of outcomes was produced in May 2014 all but one of the projects had been completed. Projects were directed towards the full spectrum of target client groups with 40 projects designed to improve services to young people, 35 for families, 31 for women and 17 for men. The projects focused on various points of intervention across the system and on different service models – 50 projects focused on prevention and early intervention; 38 aimed to improve links with other service providers; 34 were aimed at increasing the flexibility and mobility of services; 37 on broadening or changing their service client groups; and 28 on providing Rapid Rehousing.<sup>62</sup>

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<sup>61</sup> FACS – Frequently asked questions, February 2013

<sup>62</sup> FACS – Innovation Fund Summary Outcomes Report

An Industry Development Fund was also established to assist providers with structural and organisational change. Administered by the Industry Partnership, a partnership of three homelessness peaks funded by FACS, its activities were expected to include<sup>63</sup>:

- Developing industry partnerships, such as joint ventures and consortia for contracting purposes
- Structural adjustments to assist organisations transitioning to different business models
- Support to strengthen organisational governance and strategic planning capacity.

The key difference between the two initiatives is that the Innovation Fund was aimed at revising service delivery approaches while the development fund was aimed at improving organisational capacities.<sup>64</sup> More detail on the Industry Development Fund can be found in the section 7 of this report.

### 6.3 The Resource Allocation Model

A key element underpinning the approach to service design and planning was the new RAM that had been developed to guide the redistribution of resources for homelessness services in line with the new reform directions. The RAM design involved consultation with the Districts and key stakeholders along with expert input from independent consultants.

The intention of the RAM was to link resources more closely with actual levels of need rather than the historical distribution of funding that had evolved over time across the various Districts. The RAM was based on population size and levels of homelessness derived from ABS and other data sources. Various weightings to account for differing levels of need (related to, for example, age, the indigenous population, mental health and drug and alcohol usage) were applied and a number of indices were also developed taking into account things like levels of disadvantage and domestic and family violence, population dispersion and remoteness, and housing stress.<sup>65</sup> This data was then fed into a model which produced an “ideal” needs based funding allocation amongst the various Districts.

The RAM provided a case for shifting funding away from two inner city Sydney Districts (Sydney and South Eastern Sydney) and Southern New South Wales District, which had a higher proportion of funding than indicated by relative need in the RAM. All other Districts were indicated to receive an increase in funding under the RAM based on need, through the redistribution of funding away from Sydney and South Eastern Sydney. At the same time, it was recognised that adjustments may be needed to take into account supply and other factors impacting on resourcing in each District and that time would be needed to make the transition away from historical funding arrangements.

However, a limitation of the RAM, that it did not take into account cross border flows, i.e. it did not account for the fact that homeless people residing in one District may access services in another District, was acknowledged early on. Homeless people particularly tend to drift towards the inner city (either to access services or for other reasons) and it was acknowledged that this would need to be better accounted for in

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<sup>63</sup> GSHS Reform Plan, February 2013.

<sup>64</sup> *ibid*

<sup>65</sup> Deloitte – Resource Allocation for Specialist Homelessness Services (Final Report for FACS) November 2013

future service planning and design.<sup>66</sup> The RAM methodology was also limited by the asset base, which was geographically fixed in the short-term. Because of these issues, together with the scale of redistribution proposed by the RAM, the budgets allocated to Districts for the purpose of planning were based on around one third of the redistribution indicated by the RAM. However, even one third of the proposed redistribution proved difficult to implement in the inner city Sydney area (where most of the funding was to be redistributed from), with the result that the Government reinstated funding that had previously been redistributed elsewhere based on RAM allocations.

The extent to which the modified RAM appropriately allowed and supported a redistribution of resources to better respond to need is a question for future M&E activities.

## 6.4 Detailed Service Planning

The service planning phase comprised the development of a range of guidelines and tools and the preparation of service proposals by each District. The process occurred over a relatively short timeframe, in particular the detailed District-based planning component which took place over a four to six week period.

### 6.4.1 Roles and Responsibilities

In line with the localisation agenda, responsibility for developing service plans was devolved to the Districts with FACS central office providing an oversight and guiding role.

### 6.4.2 Purpose of District Planning

In presentations to Districts, FACS central office articulated the purpose of District planning as being to implement the GSHS Reform Plan by:

- Better matching resources to need in Districts;
- Allocating resources to most cost effective services;
- Supporting and driving rollout of the new delivery framework; and
- Ensuring that District circumstances are taken into account in allocating scarce resources.<sup>67</sup>

### 6.4.3 Guidelines and Tools

FACS central office produced a detailed set of guidelines for each District to “provide direction on service realignment and resource distribution for SHS”<sup>68</sup>. Training was also provided to Districts by the GSHS reform team to assist the Districts in preparing the service plans.

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<sup>66</sup> *Ibid* p.55

<sup>67</sup> Family & Community Services Housing NSW – Going Home Staying Home Reform planning presentation (undated).

<sup>68</sup> FACS, Guidelines Specialist Homelessness Services – Developing Service Proposals 2014 -19 (Draft document dated 13 September 2013)

The guideline that was released in September 2013 sets out the roles and responsibilities of each of the various parties involved including:

- FACS District Directors and District staff;
- Regional Homelessness Committees;
- Community Programs Officers and HNSW Senior Project Officers;
- Housing Policy and Homelessness Directorate; and
- The GSHS Reform team.

The guideline also sets out links with other projects including the Regional Homeless Action Plans and the Innovation and Industry Development Funds and the key priority groups that would need to be considered, including Aboriginal people.

Each of the 15 Districts was provided with an e-tool that was pre-populated with District-level data on<sup>69</sup>:

- The level of spend in 2011-12 broken down by two key client groups: those who were homeless and those at risk of homelessness;
- Client cohorts: young people, men, women, and families, with these client groups further broken down into high, medium and low effort;
- The planning budget allocation for 2014-15 and estimated total client numbers based on 2011-12 client proportions (homeless and at risk of homeless); and
- A service package funding level calculation based on a notional price for low, medium and high effort clients.

This provided Districts with a starting point for planning. The consultation Districts undertook (see Section 6.4.5) then assisted in customising this – for example, if the number of young people should be increased based on localised information.

#### **6.4.4 Budget and Activity**

The notional budget was based on the level of funding that had been available, noting the uncertainties around the future of funding under the NPAH at the time. However, Districts were also asked to “over-plan” by putting forward proposals in line with a 20 per cent uplift in budget/resourcing levels which were to be considered by FACS central office in the event that additional funding may become available over the period 2014-17. In terms of the RAM, it was decided that around one-third of the total adjustment planned would be implemented over the next planning period. The full updated budget for 2014/15 was not provided to Districts and instead, final budgets were determined after the service proposals were finalised<sup>70</sup>. Changes around budget were identified as an issue for concern by some Districts during the planning process.

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<sup>69</sup> Illawarra/Shoalhaven e-tool template

<sup>70</sup> FACS Questions arising from GSHS District planning, October 2013

Given that the overall SHS program funding envelope was not expected to change, the forecasted level of activity was estimated based on existing client numbers. Consequently, service planning was based around maintaining rather than growing client numbers. No specific prices for clients or units of service were provided to Districts as part of the process.

There were some issues raised with the review by Districts about the accuracy of client number allocations and the impact of the new case mix system. Districts had not previously been required to consider the case mix of client effort (high, medium and low) and some argued that the splits were not accurate. There were also some concerns raised by Districts about the lack of transparency with regards to the RAM.

#### **6.4.5 Consultation**

Districts were encouraged to undertake consultation with a range of stakeholders in developing the service plans, including service providers, with a standard presentation provided to Districts to use at local briefings. At the same time, they were warned about potential conflicts of interest that could arise if they consulted with providers about service design who may ultimately be involved in tendering for services.

Districts were also encouraged to consult with Aboriginal groups and with other agencies using various mechanisms including existing regional consultative forums. However, some Districts reported concerns with not knowing who they could and could not consult with, on what matters they could communicate, and where communications might give rise to probity concerns. Some peak agencies reported that this confusion flowed through to them, leaving them unclear on the role of the sector and mechanisms through which they could provide advice about service model priorities in the regional planning phase.

While levels of consultation varied from District to District, Districts reported concerns that they weren't able to undertake as much consultation at the local level as they would have liked, in particular to ensure they understood where there were service pressures and gaps to help inform the development of the service packages.

Some Districts also raised concerns with the treatment of state-wide and cross-District services, lack of clarity on final budget allocations, and coping with the impact of staff changes that occurred during implementation of the localisation agenda (which saw the formation of the 15 Districts and the bringing together of the various responsibilities into single units in those Districts).

#### **6.4.6 Timeframes**

The timeframe for the District planning phase of the project was challenging for a number of Districts. While the overall planning process occurred over several months, the development of detailed planning proposals by Districts occurred in a very tight timeframe with key activities shown below:

- District planning commenced – 18 September 2013;
- Plans completed and endorsed by District Directors – 18 October 2013; and
- Final approval by Executive Director, Housing Policy and Homelessness – 8 November 2013.

District feedback also indicated that the time pressures were exacerbated by the need to develop very detailed and specific plans, where the planning and documentation received by Districts to that point had been high-level and broad.

### 6.4.7 Properties

The planning guideline that was released by FACS indicates that properties which were being used for crisis and transitional accommodation (most of which are owned by the NSW Government) should have been factored into the planning process. Again, it signalled the need for Districts to consider reconfiguring and meeting needs differently. Some Districts experienced difficulty in accurately identifying all relevant properties in their Districts and there appeared to be no prior asset mapping of the existing service system network including SHS and other providers.<sup>71</sup> Non-government organisation properties were also excluded from planning considerations.

### 6.4.8 Inner City Planning

The reduced level of funding planned for inner city Sydney raised concerns amongst stakeholders and a decision was made that a separate planning and procurement process should be undertaken for inner city Sydney. The high concentration of resources in the inner city, including crisis accommodation provided directly by non-government organisations, and the significant level of own-source funding provided by large charitable organisations to homelessness services in the area was also taken into account, as were the contributions of other external funding bodies including NSW Health and the City of Sydney Council<sup>72</sup>.

It was also considered that the depth and breadth of the market would not support proceeding directly to a competitive tendering approach and that direct engagement with service providers was needed to avoid the risk of losing services. Consequently, FACS went on to develop an alternative service planning and procurement process which involved: quarantining part of the phase one Sydney and South-Eastern Sydney District budgets specifically for inner city services; conducting a service reform roundtable with service providers; and developing more detailed service packages involving negotiation with other funders.

At the tender assessment stage, the Minister announced the restoration of funding to inner city Sydney. A further \$8 million was then allocated to inner city services. These were procured through a direct negotiation process.

### 6.4.9 Service Planning Outputs

Using the information and guidelines provided by FACS central office, Districts were required to produce a:

1. Completed e-tool with case mix (classifying clients into high, medium and low effort);
2. 2014-2017 Service Proposal for each service to be purchased; and
3. Prioritised list of all proposals.

Districts produced a range of service proposals. The District service proposals varied but were generally built around packages that would service the key clients and targets that had been identified by FACS central office and that reflected the general reform directions outlined in the service delivery framework.

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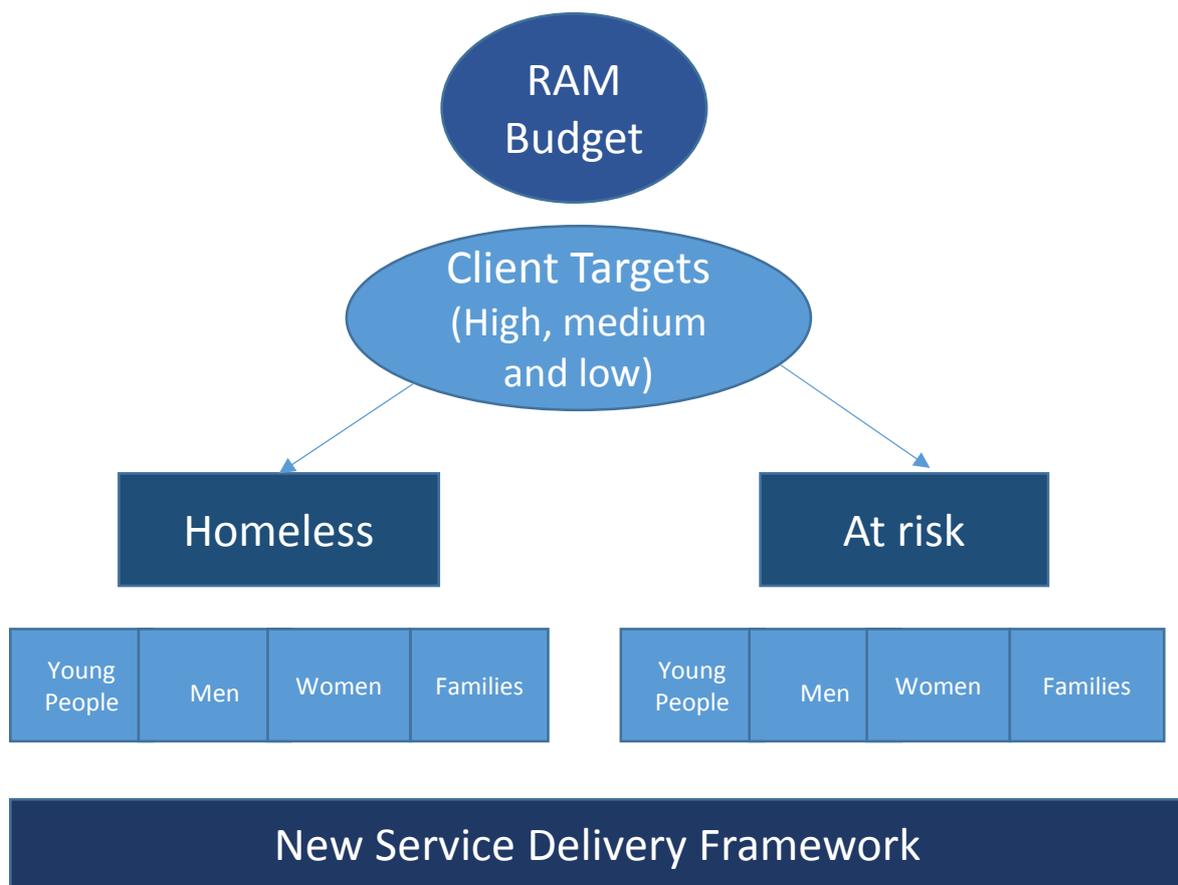
<sup>71</sup> FACS 2014, notes from Grafton workshop 17 November.

<sup>72</sup> NSW Government, FACS, 2013 Inner City Homelessness Service Reform Internal Document

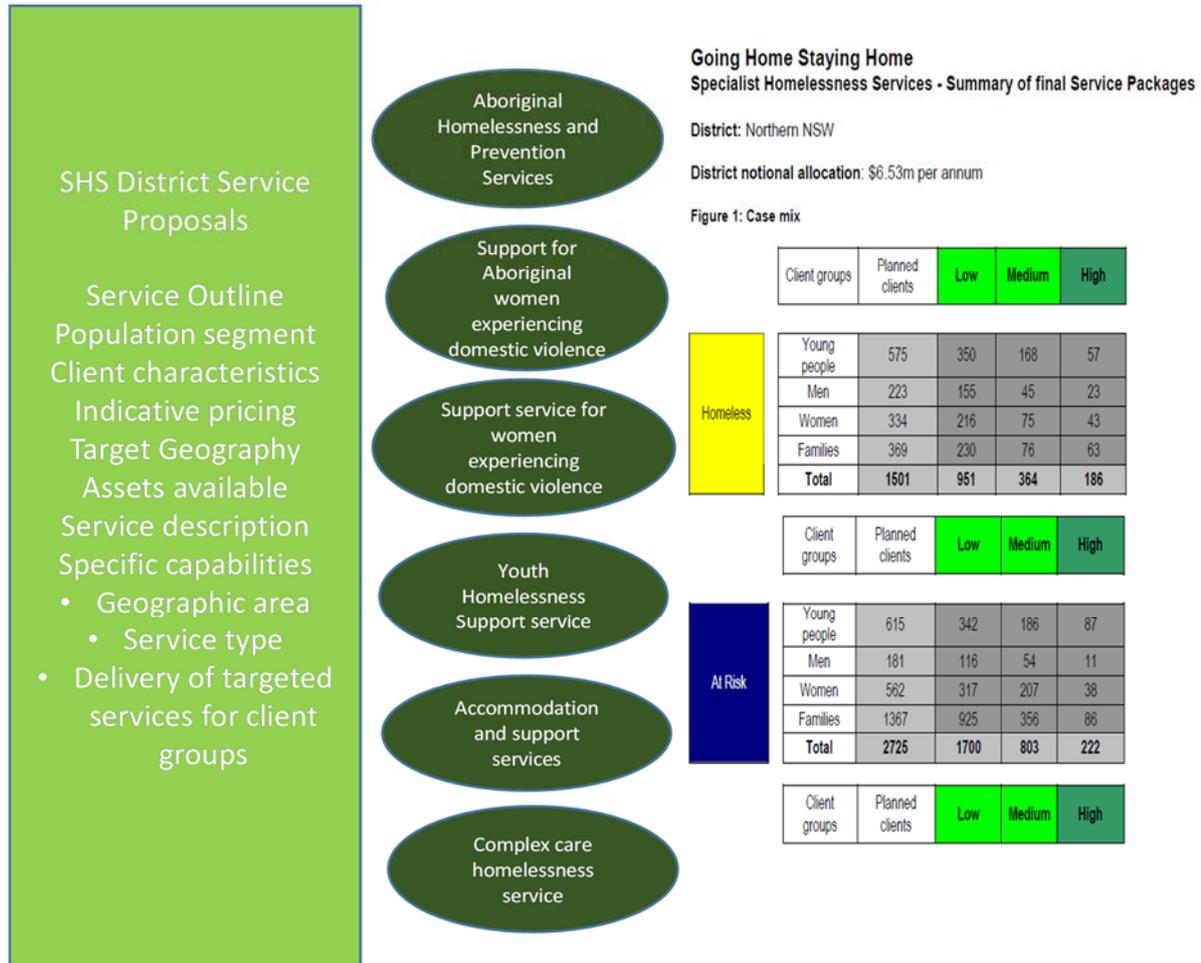
The process is illustrated below for the Northern NSW District, which produced six packages with a budget allocation of \$6.5 million.

Figure 6-3: District Service Planning Process

## Service Planning Inputs



## Service Planning Outputs



Source: KPMG 2014 and FACS 2013

The six service packages that were designed for the Northern NSW District supported a greater focus on integrated services and built around priority client groups including Aboriginal women, women experiencing domestic and family violence, and homeless youth and families.

Table 6-1: Service Packages – Northern NSW District

Service Package	Description
<b>Homelessness Support Service for Aboriginal Women Experiencing Domestic and Family Violence</b>	<p>The Service will identify Aboriginal women with or without children who are escaping domestic and family violence and are at imminent risk of homelessness or have become homeless and support them to remain safely in their existing housing or assist them to secure and sustain safe and stable housing. The service will provide crisis and transitional accommodation and support while working with Aboriginal women to resolve their homelessness as quickly as possible and provide Aboriginal women who have been re-housed after being homeless with multifaceted supports to stay housed. This may include intensive responses for women with complex needs.</p>
<b>Northern NSW Homelessness Support Service for Women Experiencing Domestic and Family Violence</b>	<p>The Service will identify young women, and adult women with or without children who are escaping domestic and family violence and are at imminent risk of homelessness or have become homeless and support them to remain safely in their existing housing, or assist them to secure and sustain safe and stable housing. The Service will provide crisis and transitional accommodation and support while working with clients to resolve their homelessness as quickly as possible and provide women who have been re-housed after becoming homeless with multifaceted supports to stay housed. This may include intensive responses for women with complex needs.</p>
<b>Northern NSW Aboriginal Homelessness and Prevention Service</b>	<p>The Service will support Aboriginal young people, men, women and families who are homeless or at risk of homelessness across Northern NSW. The Service will focus on prevention and early intervention and rapid rehousing and will partner with ‘first to know’ organisations to help early identification and referral of Aboriginal people at imminent risk of becoming homeless. The service will assist clients to sustain their tenancies and prevent evictions from all types of tenures (public and private), help clients to access private rental or social housing with support as needed and provide follow-up support after clients have been housed to ensure that they do not become homeless again.</p>
<b>Youth Homelessness Support Service</b>	<p>The service targets young people who are homeless or at risk of homelessness across the Northern NSW District. The client group may include young people with children, young women who are pregnant, and young people leaving out of home care or institutional care. It provides client-centred homelessness support services including prevention and early intervention, rapid rehousing, crisis and transition responses, and intensive responses for complex need clients. The service will have culturally appropriate services for Aboriginal, cultural and linguistically diverse and other specific groups of young people.</p>

Service Package	Description
<b>Accommodation and Support Service</b>	The service primarily targets adults and families but can also assist young people as appropriate. The service provides holistic homelessness accommodation and support services across the Northern NSW District. The service will identify men, women, families, and youth at imminent risk of homelessness and support them to stay safely housed, provide adults and families who are homeless with safe and secure accommodation and support them to access stable housing, assist men, women, and families who experience homelessness to be rapidly rehoused in safe and stable housing and support them to stay housed.
<b>Northern NSW Specialist Complex Case Homelessness Service</b>	The Service will support men, women and families with complex needs or multiple diagnoses, who are homeless or at risk of homelessness. The Service will operate across the Northern NSW District and focuses on intensive responses for complex need clients. The Service will provide outreach support to couch surfers, and provide crisis and transitional accommodation to homeless people while supporting them to find and move to into more sustainable housing. The Service will provide case management, brokerage and support through multidisciplinary teams working together to deliver a range of intensive support services to support homeless people with complex needs to establish and sustain long term housing.

Source: FACS 2013 Summary of Final Service Packages – Northern New South Wales

## 6.5 Summary of Final Service Packages

The information produced by the Districts was assessed by FACS central office and ultimately translated into the 149 service packages that went to tender (a further eight were developed separately as part of the Inner City Funding Restoration process, discussed at 6.4.8, bringing the total number of contracted services to 157). Changes were made to a few of the District packages in consultation with the Districts, as a result of the centralised review process (these were mainly around property allocations and the mix of clients in the high, medium and low effort categories) but generally, the final packages reflected the District service proposals. The summary of final service packages is outlined in Table 6-2 below.

Table 6-2: Service Packages and Budget Allocation by District

District	Number of packages	Notional allocation
<b>Central Coast</b>	9	\$5.56m per annum
<b>Far West</b>	4	\$1.19m per annum
<b>Hunter New England</b>	25	\$17.90m per annum

District	Number of packages	Notional allocation
Illawarra Shoalhaven	9	\$6.97m per annum
Mid North Coast	6	\$4.78m per annum
Murrumbidgee	4	\$5.94m per annum
Nepean Blue Mountains	6	\$6.68m per annum
Northern NSW	6	\$6.53m per annum
Northern Sydney	5	\$6.67m per annum
South Eastern Sydney	15	\$21.99m per annum
South Western Sydney	11	\$13.02m per annum
Southern NSW	12	\$4.93m per annum
Sydney	10	\$11.96m per annum
Western NSW	14	\$8.68m per annum
Western Sydney	13	\$12.97m per annum
Inner City Sydney Restoration (City of Sydney LGA) District: within South Eastern Sydney and Sydney Districts	8	\$8.6m per annum
<b>Total Service Packages</b>	<b>157</b>	<b>\$144.36m annualised</b> <b>(\$148m for 2014-15)</b>

Source: KPMG from FACS documents

The average number of service packages finally issued was 9.8 per District – the highest number of packages was issued for the Hunter New England District (with 25 packages) and the lowest number of packages were issued for the Far West and Murrumbidgee Districts (each with 4). The average funding per package by district varied from a low of \$297,500 in Far West to \$1.47 million in South Eastern Sydney. The average funding per package was \$919,000.

## 6.6 Appropriateness and Effectiveness of Service Design and Planning

### 6.6.1 Use of Evidence/Data

The directions being pursued in the GSH reforms are based on national and international best practice and evidence about what works best in addressing the problem of homelessness. The service design framework was informed in particular by evidence gathered as part of the NSW Homelessness Action Plan Evaluation Strategy which considered the effectiveness of a range of different homelessness projects<sup>73</sup>. It was also consistent with the directions outlined in the NPAH, including the need to do more to address prevention and early intervention and provide better connected and integrated homelessness services.

Service planning was informed by considerable data analysis and evidence about the level of need (through the RAM) including detailed analysis of levels of homelessness and the development of detailed weightings and indices to account for the different needs and costs of providing services to particular groups like Aboriginal people and levels of social disadvantage and domestic and family violence. This helped provide a more sophisticated needs-based approach to resource allocation to guide the move away from historical funding distribution. However, the timeframes associated with transition to the RAM allocations were challenging for the inner city Districts and it is not clear that inner city drift could have been entirely avoided with a redistribution of funding/services.

There was also considerable work done by FACS on developing client targets and the introduction of the new case mix classification (high, medium and low effort) to inform service planning at the District level. In terms of understanding service needs at the District level, including gaps in services, there was a reliance on the Districts to have this knowledge about their local clients and the service system. Districts reported that their capacities in this area varied.

### 6.6.2 Robustness of process

The process had many robust aspects. It had clear decision making points and clearly defined and allocated roles and responsibilities. Quality assurance and approval mechanisms were also in place. The planning was very collaborative in nature internally within FACS, with Districts working closely with the GSH reform team and FACS central office. There was also a considerable amount of guidance material provided to the Districts which comprehensively documented the requirements for the process. The review heard numerous positive comments about the level of assistance provided by FACS central office to Districts to assist with the service planning process.

There was also considerable collaboration between Districts. In particular, the metro based Districts spent a great deal of time discussing joint planning priorities which resulted in some joint services being funded.

### 6.6.3 Timeframes

Numerous concerns were raised about the reasonableness of the timeframe for the service planning stage of the GSH reform implementation process, particularly given the extent of system re-design being

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<sup>73</sup> Australian Housing and Urban Research Institute Research Synthesis Unit - Homelessness Action Plan – Summary of Evaluation Findings , May 2013 for NSW Housing

attempted and in the context of the other changes that were occurring in FACS at the time, such as the introduction of localisation.

For such a large scale service planning process, a timeframe of two months from start to finish could certainly be considered overly ambitious. It also relied on Districts having a detailed knowledge and understanding of the needs in each of their local areas. Changes in staff that occurred as part of localisation impacted on District capabilities in this area.

More time could have been provided in particular to allow for greater engagement with service providers in the service design phase to identify service gaps, to road test models, and to sort through issues with allocation of properties to service packages. In terms of overall scheduling, more time should have also been provided for the completion of Innovation Fund projects to give Districts a better idea about the effectiveness of some of the service delivery models and innovations that were being trialled in preparing service proposals for their Districts.

#### **6.6.4 Lack of Uniformity**

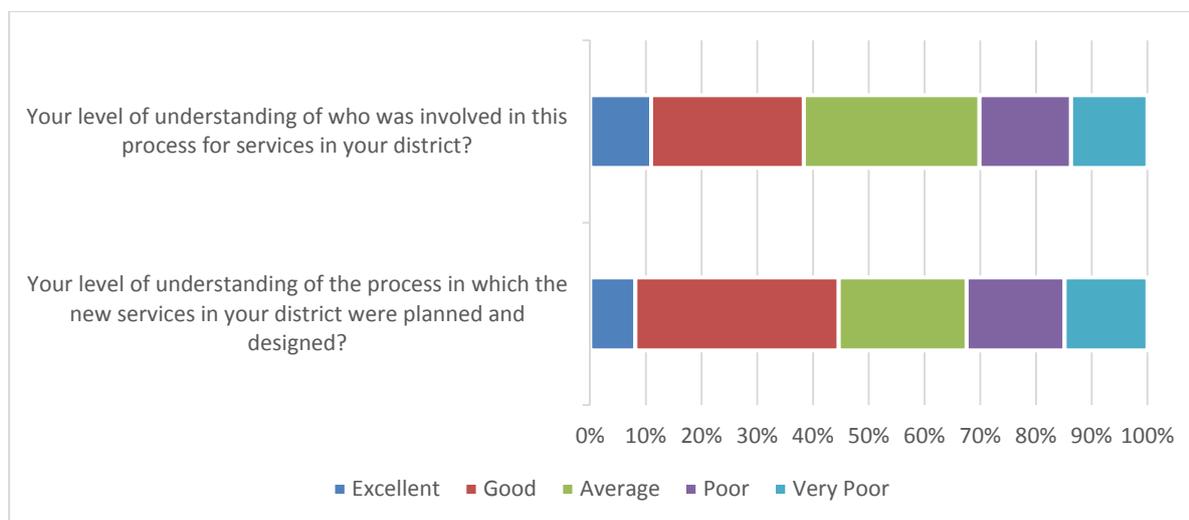
The review heard from stakeholders that the approach which had Districts doing their own service planning resulted in significant variations in planning outcomes. A number of questions have been raised about apparent inconsistencies in the service packages that were produced, particularly between similar sized Districts. For example, 12 packages were issued for Southern New South Wales with a budget of \$4.87 million per annum, while four packages were issued for Murrumbidgee with a budget of \$4.93 million per annum.

Such diversity may indicate an undesirable lack of consistency of approach, or conversely it may be expected and even desirable, given the intent to reflect different local needs and circumstances. It is out of scope for the PIR to ascertain the relative merits of standardisation versus a highly localised approach. However this is indicated as an area for future M&E activity. It does suggest that localised input provided by Districts, based on localised knowledge, was preserved in the final packages.

#### **6.6.5 Consultation and Involvement of Stakeholders**

The review found there was considerable consultation and involvement of stakeholders in the service design stage of the GSH reforms. The service delivery framework in particular had been developed with significant input from the Working Groups, SRG and the PoE. Direct consultation through forums with service providers was also undertaken to explain the new service delivery directions. Generally, there was a fairly high degree of understanding of the service design process amongst service providers, as shown from the responses to survey questions on this topic, provided in Figure 6-4 below.

Figure 6-4: Understanding of services regarding the service planning process.



Source: GSH Provider Survey Results 2014

This above figure shows the survey respondents expressed a stronger sense of understanding of how new services in their District were planned and designed, than they did of who was involved in that planning process. Just under 45 per cent considered they had an excellent or good understanding of how services were planned and designed. However, overall, around one-third of services reported only a poor or very poor level of understanding of both how services were planned and who was involved in that process.

In addition to the problems that timing posed, issues with consultation arose during the service design and planning stage with the need to consider probity and avoid conflicts of interest. This led to a lack of communication more broadly, that was commented on by survey respondents. One provider said, “many services were hearing different things; hence the constant need for clarification and often having to wait for this”. Others said, “only broad principles were communicated and these principles were not necessarily reflected in the outcomes”, and “The consultation sessions were inadequate at best and not reported back to the sector”.

It is standard practice to ensure that conflicts of interest are managed. As part of this, it is not appropriate for service providers who may ultimately be involved in a competitive tender process to be involved in designing the specifications that will form part of the service packages that goes to market. However, there was room to consider engagement around the broader types of service models that work best with service providers and how best to address gaps in services earlier in the process, which may have mitigated some of these concerns. This approach was indeed adopted to reconfigure services in the inner city Sydney where service providers were able to provide more direct input into the planning process, mainly by ensuring that all providers were involved so that no particular provider could be advantaged or disadvantaged.

### 6.6.6 Specialist versus Generic Services

Concerns have been raised that the service packages were designed in a way which advantaged large organisations with particular reference to the fact that a number of packages consolidated different types of services, for example, services that are required to support women, men, family and young people.

The review notes the following quote from the Practice Guidelines, *“The framework is intended to be equally applicable to generalist SHS services and to those that specialise in working with particular client groups such as young people, victims of domestic and family violence or Aboriginal people. Similarly, the framework is intended to apply to a range of accommodation and non-accommodation related services”*<sup>74</sup>.

The review found that while the new service packages did not deliberately target larger providers, they were more easily able to be accommodated by providers who were better placed to provide an integrated range of services, who tended to be the larger providers. It was also evident that service planning reflected the need to streamline and consolidate funding for homelessness services which was a stated intention in the GSH Reform Plan. For example, one FACS brief states: *“There are around 350 services provided by around 240 different organisations, with a significant number of organisations with relatively small amounts of funding, with over 75 per cent of services receiving less than half of the funding (256 services receive less than \$500K). SHS range from large national federated or incorporated organisations providing an integrated mix of services from a range of funding sources to very small regionally based services that may only provide a single ancillary/non-accommodation based service and that rely solely on SHS program funding.”*<sup>75</sup>

The review also heard concerns that there was insufficient consultation with Aboriginal organisations and communities. In particular, it appears that Aboriginal organisations were not fully aware that there would be no separate service packages for Aboriginal organisations in some Districts.

Similarly, communication with peak organisations suggests that women’s organisations may have assumed that the outcome of service planning would prioritise the continuation of specialist women’s refuge services in the form in which they had existed in the past. While the number of women’s services overall has increased with GSH and no Government owned women’s refuge will cease operating as a result of the reforms<sup>76</sup>, the funding and governance arrangements relating to many women’s service providers have changed. Some agencies have entered into partnerships with larger providers, while other refuges will now be operated by services which are not women only services. Any impact of this on women, particularly women leaving domestic and family violence, should be examined in future M&E activities. This should include any increased activities undertaken to prevent homelessness among this group (and others) and the effectiveness of these strategies.

There were also concerns raised that large faith-based organisations were inappropriately involved in planning the reforms and that this somehow gave them an advantage<sup>77</sup>. This Review found no evidence that this was the case. In relation to the planning arrangements for inner city Sydney where all existing providers, including several faith-based organisations, were invited to participate in the design of the service packages. Overall, it is noted that faith-based providers did not increase their share of funding significantly, going from 43 per cent of funding prior to the reforms to 46 per cent afterwards; although with many faith-based organisations being larger, the issue of the relative success of larger versus smaller agencies may be relevant.

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<sup>74</sup> FACS - Going Home Staying Home Practice Guidelines Version 2 November 2013 p.12

<sup>75</sup> FACS – Industry and Workforce Development Brief

<sup>76</sup> FACS 2014 *GSH Women’s Refuges – The Facts. Fact Sheet, November 2014.*

<sup>77</sup> FACS Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

### 6.6.7 Linkages with other Services

While service planning clearly laid the foundation for integration between homelessness services, it does not appear to have placed as much emphasis on how better integration could be achieved with mainstream services. The review notes that the service planning guidelines refer to linkages with other projects/services but this was not a prominent feature of the service planning process.

A range of concerns were expressed by providers about the impacts of adopting this type of service planning approach with one provider commenting, *“It is presumptuous in its demand of a “one-size fits all” approach to homelessness; ignores the fact that homelessness occurs among a suite of interconnected social maladies which cannot be genuinely isolated and addressed lineally; and actually denies the enormous wealth of experience and established community synergies the sector has developed”*.

Another provider commented in a similar vein – *“This is not only a housing issue and requires a holistic approach to total care, counselling and the bringing together of other services to ensure the client is always at the centre of work”*. Both of these comments suggest that the explicit client-centred, holistic and collaborative nature of the GSH objectives may not yet be fully understood.

## 6.7 Lessons Learned

- Distributing resources based on need is a well-accepted way of promoting greater equity of access to health and human services, and ensuring that services can be provided closer to where people actually live. The RAM was an integral component of this process.
- While there was a phasing in of the level of funding redistribution indicated by the RAM, the experience with the restoration of funding for inner city Sydney suggests that the level of adjustment was too significant to be managed in the required timeframe. Other factors also needing adequate consideration include the need to build capacity in areas before shifting funds/services, providing a minimum level of infrastructure, and having a deeper understanding of the reasons clients access services in the inner city, including availability of transport.
- The collaborative nature of the planning process was a positive element of the GSH reforms and should be considered for future reforms of this kind to ensure that local needs are appropriately considered.
- Effective service planning is critical in getting the right outcomes in a major reform process like the GSH. Adequate time should be allowed for service design and planning for major human services reforms.
- More time for engagement with stakeholders on the broad service models that were being considered before going to tender as part of the service packages could have better prepared the sector for procurement phase of the project.
- Innovation Funds are useful in encouraging the adoption of change but sufficient time is required to develop and implement innovative approaches, particularly where the level of experience of members with a competitive tender is very varied. As the Innovation Fund could not be commenced until the Reform Plan had been released, this did not allow sufficient time.

- Locally-based planning exercises will inevitably result in a diversity of approaches. While this provides the opportunity to test different approaches in meeting client needs, it can be seen as lacking in consistency and may create inequity between geographical areas.
- There was a strongly collaborative design element to the initial development of the service delivery framework for the GSH which should be encouraged for future reforms of this type. However, expectations need to be carefully managed so that all stakeholders understand their roles/responsibilities and the potential impacts once service planning processes that are used to inform a procurement exercise get underway, to avoid disenfranchising stakeholders as part of the process.
- Further work is required on the development of alternative procurement approaches for human services which can be more faithful to the concept of highly collaborative design, and co-design, while still allowing the benefits of competition to be realised as well as adherence to probity requirements.
- Given how critical other services like mainstream housing and health (and in particular mental health and drug and alcohol services) are in addressing problems of homelessness, more attention could have been paid to linkages between SHS and non-SHS services in the reform process.

## 7 Procurement

### Summary findings

- The GSH procurement process received considerable criticism from stakeholders. Despite this, it achieved its aims of reallocating resources based on need and shifting resources towards evidence-based and cost-effective models, with more consortia to deliver integrated services.
- FACS did attempt to support the sector through the process leading up to and including tendering through the establishment of an Industry Development Fund, procurement support for small organisations and Aboriginal organisations, and limits on the number of new entrants that were eligible to tender – each with varying degrees of success.
- Although FACS was aware that the sector was not experienced in competitive tendering, the variation in experience, and inexperience of some players, was underestimated by FACS. Greater market capability analysis prior to the development of the GSH reforms would have provided FACS with vital information for the procurement process.
- Concerns expressed by the sector regarding the impact of the tight timeframes on the procurement process and the resulting pressure on services to meet deadlines are well founded, particularly for smaller less well-resourced organisations.
- The initial timing of the state-wide tender during December was impractical and failed to take into account the scale of the change FACS was imposing on the sector; the lack of experience of some within the sector with competitive tendering; and the staffing demands and resources available to organisations, particularly in small organisations.
- The prequalification provided FACS with invaluable information on the state of the homelessness sector, and created a readily available pool of organisations for FACS to access and contract directly with should any providers of the 157 service packages withdraw from providing those services over the life of the SHS program. However, this additional step exacerbated already tight time pressures.
- Given the degree of probity risk associated with such a large scale procurement project, the probity processes that FACS put in place were appropriate. However, this contributed to a large degree of mistrust and suspicion with the process and alternative approaches that can preserve some of the values of collaboration and consultation need to be considered.

This section deals with the development, design and implementation of the procurement phase of the GSH reforms. It sets out the key activities that were undertaken, the roles and responsibilities of the parties involved, the issues that arose during the process and the main findings and lessons learned from this phase of the project.

### 7.1 Design of Procurement Process

As the GSH Reform Plan makes clear, GSH was intended to be the first major reform of the homelessness sector in 30 years. The procurement phase of GSH was where most of the change impacted as resources were to be allocated based on need (location and client groups) - previously, block grants were allocated to

SHS providers based on service activities rather than client need. The Reform Plan states that resources would be shifted towards evidence-based and cost effective models, with more consortia that could deliver holistic results and changes to the overall funding levels across and within regions. Also, if the reforms were to be successful, it would result in more resources allocated to prevention and early intervention.<sup>78</sup> These changes represented a substantial shift in how the sector was funded and how services were organised and delivered.

The procurement phase was critical for the GSH reforms, and through which the substantial changes to the sector that had been planned for in the service design and planning phase of the reforms would be implemented.

The Reform Plan stated that GSH was a two-year reform program which began in July 2012 and would be completed in July 2014.<sup>79</sup> For this to occur, the procurement phase would have to be completed prior to July 2014 to allow for sufficient time to complete the necessary service transition.

### 7.1.1 Developing the procurement approach

When the Reform Plan was released on 8 February 2013, FACS had yet to commit to a specific procurement strategy for the GSH reforms.<sup>80</sup> The Reform Plan stated that four procurement approaches would be considered in designing the new procurement strategy:

- An open tender process;
- Select tendering for preferred providers;
- Negotiations with existing providers around reconfigured services; and
- A combination of the above.<sup>81</sup>

This effectively gave FACS 19 months to design and implement its procurement approach and implement appropriate transition arrangements.

A Contracting Approach Options Paper was prepared in May 2013 and outlined three procurement approaches for decision makers to choose between:

- Negotiation;
- Competition; and
- Tiering.<sup>82</sup>

Each of these had advantages and risks, which needed to be weighed in the course of coming to a final decision. A Contracting Approach Options paper outlined these.

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<sup>78</sup> FACS 2013, *Going Home Staying Home Reform Plan*

<sup>79</sup> FACS 2013, *Going Home Staying Home Reform Plan*

<sup>80</sup> FACS 2013, *Going Home Staying Home Reform Plan*

<sup>81</sup> FACS 2013, *Going Home Staying Home Reform Plan*

<sup>82</sup> FACS 2013, *Contracting Approach Options Paper: Contracting, Quality and Continuous Improvement Strategy*

### *Option 1 Negotiation:*

Under this option, FACS “would work collaboratively with existing providers (or consortia) to deliver reform. Renewal of funding would only be put at risk for providers that could not realistically meet the new service requirements – secondary procurement, including competition (select or open tender), would be planned in these cases. According to FACS, this option would be welcomed by existing service providers, but limits the opportunities to widen and diversify the range of service providers or encourage innovation.”<sup>83</sup>

### *Option 2 Competition:*

Option 2 involved a competitive tender process. “Under this option, funding for July 2014 and beyond would be awarded following a competitive tendering process. Secondary procurement using direct negotiation would be necessary to fill gaps in service delivery left by the competition process—in areas where insufficient interest or quality results in failure of competition. This option is the most likely to widen or diversify the range of service providers and encourage innovation, but is also challenging to administer as well as risking service continuity and likely to generate stakeholder concern.”<sup>84</sup>

### *Option 3 Tiering:*

Option 3 involved a combination of the above two approaches based on separating out service providers with reference to the potential for competition to deliver the desired reform. “Under this option an objective decision making process would be created to segregate service providers into (1) services where reform could feasibly be delivered by existing providers; and (2) services where reform would be more achievable through competition. This option offers greater flexibility and avoids a ‘one-size-fits-all’ approach, but is challenging to deliver within the timescale and depends on sound decision making selecting these two groups and the subsequent procurement approach.”<sup>85</sup>

The Options Paper did not make a recommendation and was considered by the Resource Allocation Working Group (RAWG), SRG and PoE (who also did not make a recommendation) in May 2013 before being considered by the PB on 23 May 2013. The large providers were also briefed about the options given their significant resource contributions, especially in the inner city. A briefing on three contracting options was provided to the Minister on 16 July 2013. The Minister subsequently approved the competitive tender approach.<sup>86</sup>

Following the decision by the Minister, FACS developed a Procurement Plan in September 2013 that set out how the procurement process would occur under the competitive tender option, including the two stage process of the Prequalification Scheme and select tender stages.<sup>87</sup> The Procurement Plan set out the original timelines for each stage and identified procurement risks. The procurement and transition processes were to conclude by 30 June 2014.<sup>88</sup>

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<sup>83</sup> FACS 2013, *Contracting Approach Options Paper*, p. 3

<sup>84</sup> FACS 2013, *Contracting Approach Options Paper*, p. 3

<sup>85</sup> FACS 2013, *Contracting Approach Options Paper*, p. 3

<sup>86</sup> FACS *GHS Implementation Review Evidence Review Summary*

<sup>87</sup> FACS 2013, *Procurement Plan: Specialist Homelessness Services*, version 3

<sup>88</sup> FACS 2013, *Procurement Plan: Specialist Homelessness Services*, version 3

### 7.1.2 Prequalification stage

According to the Procurement Plan, the Prequalification Scheme is a “limited list of providers selected against agreed criteria to assist NSW Government agencies and statutory corporations to engage the best external expertise in any given area of work”.<sup>89</sup> The SHS Prequalification Scheme was designed to minimise secondary purchasing activities and allow for purchasing directly from Scheme members if necessary, without needing to go out to an open tender or select tender process. The SHS Scheme Conditions, available on the e-tenders website, were available from September 2013 and provide a comprehensive account of the Scheme, its intended use, and state that it will be open for NSW Government Departments to purchase off until 30 June 2017. Providers that received prequalification remain prequalified providers until this date.<sup>90</sup>

The Prequalification process opened on 23 September 2013 and closed on 18 October 2013. Assessment of the applications involved a six stage process:

- Stage 1: Technical Assessment (Conformity and Eligibility);
- Stage 2: Prequalification Assessment (Questionnaire);
- Stage 3: Capability Screening and Initial Assessment (Capabilities);
- Stage 4: Assessment (Recommendation Making Process);
- Stage 5: Approval of Recommendations; and
- Stage 6: Notification of Applicants.<sup>91</sup>

The Prequalification Scheme was designed to operate for the life of the GSH reforms. Providers that received prequalification would remain as prequalified providers for three years. By maintaining the list of prequalified providers for three years, FACS could use the list for funding decisions as part of ‘business as usual’ program management, such as offering new programs and funding for unmet need, reallocate uncommitted funds etc. The responsibility for the overall administration of the Scheme was intended to reside with FACS Procurement in partnership with NSW Procurement.<sup>92</sup>

### 7.1.3 Select tender stage

As the Procurement Plan sets out, prequalified providers would then be invited to tender for SHS funding. The purpose of the select tender stage is “to procure services following establishment of the (Prequalification) Scheme”. Prequalified “providers were to be invited to tender for funding from the SHS Program, based on the fit between the capability information assessed during the prequalification stage and the services required at a District level”. FACS considered this process to be a select tender because only prequalified providers “with the requisite capabilities” were to be invited to tender.<sup>93</sup>

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<sup>89</sup> FACS 2013, Procurement Fact Sheet 21 November, and SHS Prequalification Scheme Conditions.

<sup>90</sup> FACS 2013, Fact Sheet dated 21 November 2013, and SHS Prequalification Scheme Conditions.

<sup>91</sup> FACS 2013, *Procurement Plan: Specialist Homelessness Services*, version 3

<sup>92</sup> FACS 2013, *Procurement Plan: Specialist Homelessness Services*, version 3

<sup>93</sup> FACS 2013, *Procurement Plan: Specialist Homelessness Services*, version 3, p. 3

The Procurement Plan originally scheduled the tender period to take place between 18 November 2013 and 23 December 2013. The assessment and approval stage was to run from 24 December 2013 to 28 February 2014, with contract negotiation and transition to begin on 3 March 2014 and conclude on 30 June 2014. Contracts were planned to run for three years.<sup>94</sup>

Transition planning was to begin once the Prequalification Scheme was established, for organisations that were receiving funding by the SHS or NPAH Programs which either did not apply for prequalification or were unsuccessful. FACS intended for transition planning to be implemented in full once the outcome of the select tender had been announced and it was publicly known which organisations would not receive funding from July 2014.<sup>95</sup> As noted previously, the transition process is out of the scope of this review.

## 7.2 Tender Assessment Plan

The Tender Assessment Plan sets out how the tender assessment process would occur by establishing the governance arrangements, assessment methodology and administrative arrangements.<sup>96</sup> Feedback from consultations with FACS representatives and external parties who were involved in the tender process reported that the tender process was very resource intensive, particularly during the assessment of tenders. This is reflected in the governance structure for the tender assessment process below:

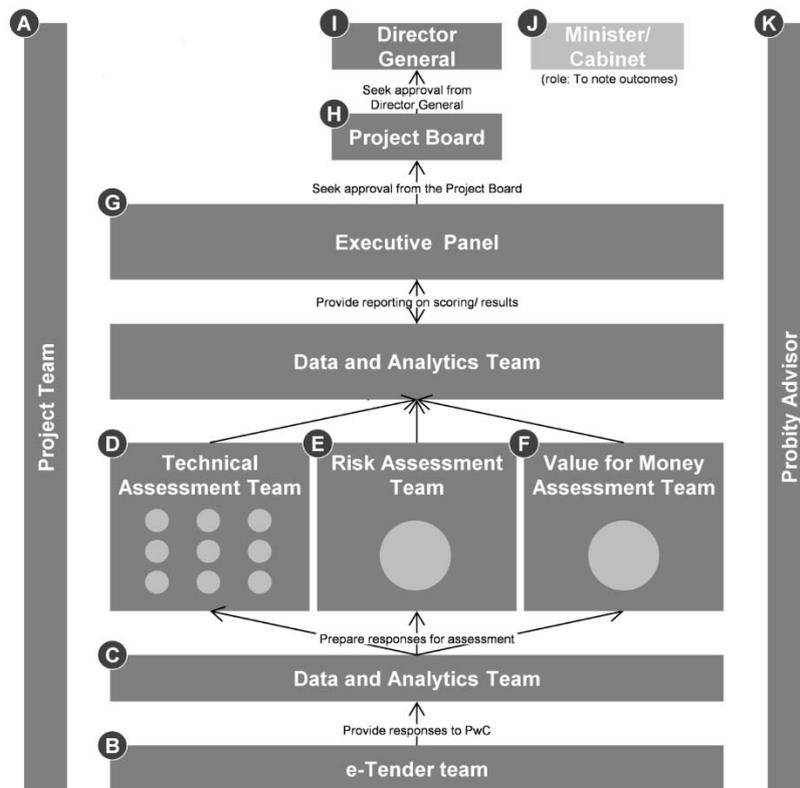
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<sup>94</sup> FACS 2013, *Procurement Plan: Specialist Homelessness Services*, version 3

<sup>95</sup> FACS 2013, *Procurement Plan: Specialist Homelessness Services*, version 3

<sup>96</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GSH SHS Select Tender*

Figure 7-1: Tender assessment governance structure



Source: FACS Tender Assessment Plan

The tender assessment process comprised of staff from Housing NSW, FACS Procurement, NSW Procurement, PricewaterhouseCoopers (PwC) and Risk Reward.<sup>97</sup>

While the tender process was led by staff from Housing NSW, PwC was engaged to assist with the tender assessment process and along with Housing NSW staff, formed the Project Team. The Project Team was responsible for overall coordination of the project and the assessment process, and provided advice to the Data and Analytics, Technical Assessment, Value for Money, and Risk Assessment Teams as well as the Executive Panel.<sup>98</sup>

NSW Procurement managed the receipt of Select Tender responses on behalf of Housing NSW through the NSW e-Tender System. This included responding to queries and requests for assistance from providers unable to access the e-Tender system and maintaining the integrity of responses in addition to treatment and reporting of late lodgements.<sup>99</sup>

<sup>97</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GSHS SHS Select Tender*

<sup>98</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GSHS SHS Select Tender*

<sup>99</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GSHS SHS Select Tender*

The Data and Analytics Team was staffed from both FACS and PwC personnel and was responsible for providing the main administrative and analytical support for the tender assessment.<sup>100</sup>

The Technical Assessment Team comprised representatives from FACS Districts and FACS central office. The technical assessment team was responsible for individual and objective scoring of each Select Tender response in accordance with the Select Tender Assessment Plan, supporting guidelines and reporting tools.<sup>101</sup>

The Risk Assessment was comprised of PwC personnel with specialist experience in risk assessment and was responsible for the assessment of the risks associated with responses that had been identified as requiring a risk assessment.<sup>102</sup>

The Value for Money Team was responsible for assessing the value for money criteria.<sup>103</sup>

The Executive Panel was responsible for making a final assessment of the results from technical, risk and value money assessments and making recommendations on preferred providers. As part of their assessment, the Executive Panel was to make an overall assessment of value for money and “consider the overall District and state-wide outcomes if all contracts are awarded to the preferred provider for each Service Package including risks relating to market diversity and capacity, coverage of specialist services, and transitional risks at a program level.”<sup>104</sup>

The Project Board was responsible for overseeing the entire tender assessment process and reviewing and endorsing the Executive Panel recommendations before they were submitted to the Secretary for approval. The Probity Advisor from Risk Reward was responsible for oversight across the Select Tender assessment process to ensure that it complied with all probity requirements.<sup>105</sup> The Probity Advisor was not involved in the development of the assessment criteria.<sup>106</sup>

## 7.3 Conduct of procurement process

### 7.3.1 Prequalification

The prequalification process took place generally in accordance with the timelines set out in the Procurement Plan, with applications opening on 23 September 2013 and closing on 18 October 2013.<sup>107</sup>

A decision needed to be made as to what, if any, new entrants were to be permitted to prequalify under the process. SRG members recommended that eligibility for prequalification should be limited to NSW Government-funded homelessness services providers. However, FACS made the decision to allow limited

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<sup>100</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GSHS SHS Select Tender*

<sup>101</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GSHS SHS Select Tender*

<sup>102</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GSHS SHS Select Tender*

<sup>103</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GSHS SHS Select Tender*

<sup>104</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GSHS SHS Select Tender*, p. 9

<sup>105</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GSHS SHS Select Tender*

<sup>106</sup> KPMG consultations

<sup>107</sup> FACS 2014 *GSHS Implementation Review Evidence Review Summary*

new entrants who were delivering homelessness services in NSW but were not receiving government funding to apply for prequalification.

To be eligible to apply for to the Prequalification Scheme organisations had to be:

- Recipients of funding under the existing SHS Program;
- Non-government not-for-profit recipient of National Partnership Agreement on Homelessness (NPAH) funding; or
- Other non-government not for profit organisations that at the time were delivering established services that had people who are homeless or at imminent risk of homelessness as their principal target group; and that at the time were delivering specific support services and may also have provided or facilitated accommodation services to this principal target group and have their major base of service provision for these services in NSW.<sup>108</sup>

Services that were ineligible to apply were Government and non-government agencies that received SHS or NPAH funding in another state but who did not otherwise meet the eligibility criteria. NGOs were also excluded if they primarily operated other human services in NSW (e.g. employment services) or had their major base of homelessness service provision in another state. Organisations that did not meet the eligibility criteria or minimum requirements in the prequalification application form did not prequalify.<sup>109</sup>

The prequalification assessment took place in accordance with the process outlined above under the Prequalification Scheme and applications were assessed to determine their:

- Eligibility;
- Financial viability and whether they met the governance requirements;
- Commitment to GSHS framework; and
- Capability to deliver specialist homelessness services.<sup>110</sup>

The independent external probity advisor who was engaged for the select tender process also oversaw the prequalification phase to ensure the probity of the process was maintained.<sup>111</sup>

FACS received 242 eligible applications with 239 of these deemed to have prequalified and only three providers declined.<sup>112</sup> Prequalified providers were matched to service packages based on the following capabilities, as demonstrated in their prequalification applications:

- Client-centred approach;

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<sup>108</sup> FACS 2014, *Prequalification Scheme Assessment Methodology: SCM0147 Specialist Homelessness Services, (SHS Prequalification Scheme Assessment Guidelines)*, FACS 2013, FACS, *Going Home Staying Home: Prequalification scheme information: Fact sheet Issue No.*

<sup>109</sup> FACS 2014, *SHS Prequalification Scheme Assessment Guidelines*

<sup>110</sup> FACS 2014 *GSHS Implementation Review Evidence Review Summary*; FACS 2014, *SHS Prequalification Scheme Assessment Guidelines*; KPMG Consultations

<sup>111</sup> KPMG Consultations

<sup>112</sup> FACS 2014, *SHS Select Tender 2013-2014 Assessment Panel Report April 2014*

- Services for people who are homeless or at risk of homelessness;
- Service footprint; and
- Delivery to client groups.

Every prequalified provider was invited to respond to at least one tender.<sup>113</sup>

### 7.3.2 Select tender

Prior to the commencement of the GSH reforms, there were 336 separately funded SHS contracted services across NSW. Following the service design process, the total number of contracted service packages was reduced to 149.<sup>114</sup> One hundred and forty of these packages formed the state-wide SHS select tender process and the remaining nine packages formed the separate inner city Sydney select tender process.<sup>115</sup>

For the select tender process, tender applicants were assessed against the following selection criteria:

1. Demonstrated capacity to contribute to the SHS Program Outcomes:
  - a. People who are at imminent risk of homelessness are identified and supported to remain safely in their existing housing, or to secure stable housing;
  - b. People who experience homelessness are rapidly and safely rehoused;
  - c. People who are in crisis are provided with safe and secure accommodation and supported to access stable housing; and
  - d. People who are re-housed after becoming homeless are supported to stay housed.
2. Demonstrated capacity to deliver a service model that will achieve the particular requirements in the service description:
  - a. Target client groups and their specific needs;
  - b. Geographic coverage; and
  - c. Case mix.
3. Demonstrated capacity to manage the transition from the current state to the future service delivery approach within the required timeframe considering:
  - a. Collaboration with the broader service system;
  - b. The adoption of client centred approaches;
  - c. The system enablers (access, quality, industry and workforce development); and
  - d. Evidence based responses.

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<sup>113</sup> FACS 2014 *GSH Implementation Review Evidence Review Summary*; FACS 2013, *SHS Prequalification Scheme Assessment Panel Report*

<sup>114</sup> FACS 2013, *Going Home Staying Home Reform Plan*

<sup>115</sup> FACS 2014, *SHS Select Tender 2013-2014 Assessment Panel Report April 2014*

#### 4. Value for money

- a. The service model ensures that resources are allocated where they are needed most;
- b. The extent to which funding is committed to direct service delivery; and
- c. The effective use of assets and other in-kind contributions that enhance service delivery.<sup>116</sup>

Criterion 4 b) was added after the tender process began and FACS alerted applicants of the change through an updated, second version of the Help Guide.<sup>117</sup>

In addition to the above selection criteria, in making its final recommendations, the Executive Panel also took into consideration the impact that preferred providers would have on market diversity within Districts, consistent with the Tender Assessment Plan.<sup>118</sup>

As outlined above, the Select Tender period was originally scheduled to open on 18 November 2013 and close on 23 December 2013. FACS opened the select tender process on 27 November 2013, with a closing date of 23 December 2013, consistent with their overall timeline.<sup>119</sup> However, due to complaints from the sector regarding the tight timelines and the timing of the tender process (including the fact that applications closed as the Christmas holiday period was beginning and concerns that staff unavailability could disadvantage smaller agencies) in December, FACS extended the tender period to close on 7 February 2014.<sup>120</sup> As a consequence, the state wide select tender process was open for 74 calendar days, which was in excess of the minimum tender opening period of 25 calendar days recommended by NSW Procurement Tender Guidelines.<sup>121</sup>

Also, in recognition of the considerable change initially proposed and reduction in services that would occur in the Inner City of Sydney, as detailed in the Service Planning and Design section, FACS undertook a separate tender process for the inner city of Sydney, which was not originally planned.<sup>122</sup> Tenders for the inner city opened on 19 March 2014 and closed on 28 April 2014. On 13 June 2014, the Minister for FACS announced the preferred providers for the state-wide and Inner City of Sydney service packages. By 1 November 2014, new contracts for 151 of the new SHS packages had been signed with the remaining packages being subject to secondary procurement.<sup>123</sup>

The extension to the state-wide tender process, the addition of the inner city Sydney restoration process and the original delay in the tender announcement resulted in FACS missing its original timeline of concluding the contract negotiation and transition by 30 June 2014.

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<sup>116</sup> FACS 2014, *GHS SHS Select Tender – Application Help Guide*, Version 2.0

<sup>117</sup> FACS 2014, *GHS SHS Select Tender – Application Help Guide*, Version 2.0

<sup>118</sup> FACS 2014, *Tender Assessment Plan: HNSW 13 56 GHS SHS Select Tender*; FACS 2014, *SHS Select Tender 2013-2014 Assessment Panel Report April 2014*

<sup>119</sup> FACS 2014 *GHS Implementation Review Evidence Review Summary*

<sup>120</sup> FACS Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

<sup>121</sup> FACS Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

<sup>122</sup> FACS 2014 *GHS Implementation Review Evidence Review Summary*

<sup>123</sup> FACS, *GHS Reforms – Timeline* (Internal Document)

At the conclusion of the state-wide (including the five service packages subject to secondary procurement at the time of announcement) and inner city tender processes, and the Inner City Restoration Funding process, 76 different lead providers were successful. This meant a total of 188 providers overall, including those in Joint Working Arrangements (JWAs) or involved as subcontractors. Of the 188 providers, 122 were existing SHS or NPAH providers, while there were 66 new providers, all of which were either JWA partners or subcontractors.<sup>124</sup> Seventy-eight existing SHS providers would not receive SHS funding as a result of either not prequalifying, not responding to tenders or otherwise being unsuccessful during the tender process.<sup>125</sup>

Key changes to FACS' SHS funding arrangements are presented below, in Table 7-1.

Table 7-1: Summary key funding and service data, 2013-14 (pre-GHSH) and 2014-15 (GHSH)

	2013-14		2014-15	
<b>SHS Program grants</b>	\$134m		\$148m	
<b>Total SHS contracts</b>	336		157	
<b>SHS organisations</b>	201		188 – 76* as lead and 147 as partner (services can be both)	
<b>Properties</b>	More than 1,300		More than 1,400	
<b>“Small” providers*</b>	75% of services received less than \$500K**		34% of lead providers will receive less than \$800K pa	
	<i>No.</i>	<i>% of total</i>	<i>No.</i>	<i>% of total</i>
<b>Faith-based organisations*** – no. of organisations</b>	36	18%	28 (17 as lead, 11 as partner)	15%
<b>Faith-based organisations – share of funding</b>	<b>43%</b>		<b>46%</b>	

Source: FACS data

\*Note: This number takes into account lead providers of all service packages for which procurement has closed at the time of publication of this document, including from the state-wide, Inner City, and Inner City Restoration procurement processes.

\*\*Information is not directly comparable, as under GHSH FACS only holds information on the 76 lead agencies, not the 147 partner agencies, many of which would be smaller providers.

<sup>124</sup> FACS, Going Home Staying Home: Client, Service and Provider Overview as of 10 October 2014

<sup>125</sup> FACS 2014, SHS Inner City Tender Select Tender 2014-2017 Assessment Panel Report

*\*\*Faith-based organisations based on the following criteria: Provider name demonstrates obvious religious affiliation OR search of publicly available information indicates religious affiliation or orientation.*

### **Impacts on Client Numbers**

Historical client data (broken down by client group) is only available for 2011-12. Table 7-2 below shows the estimated impacts on particular client groups under the reforms.

*Table 7-2 – Client Numbers pre and post GSHS Reforms*

Client groups	2011-12	2014-15 (Forecast)
Young people	15,191	15,600
Men	9,831	8,600
Women	11,305	11,900
Families	15,778	17,900
<b>Total clients</b>	<b>52,105</b>	<b>54,000</b>

*Source: FACS data*

### **7.3.3 Consultation**

The overall consultation process has already been outlined in the Governance/Stakeholder engagement section of this report. FACS undertook specific consultation around each stage of the procurement process including:

- A prequalification information session and webinar;
- Information sessions in each District following the commencement of the select tender process; and
- A specific planning and pre-market strategy for the Inner City of Sydney select tender including a Roundtable forum on 16 December 2013.

As outlined in Section 4, service providers raised a series of concerns with the communication processes around the procurement phase including the lack of clarity, access to and timeliness of information provided.

## **7.4 Technical assistance**

In recognition of the significant change that the competitive tender process represented for the homelessness sector and the potential to disadvantage small and Aboriginal organisations, FACS provided a range of guidance and assistance to organisations during the prequalification and select tender procurement stages.

### **7.4.1 Prequalification**

At the beginning of the prequalification stage, FACS published the following key governance documents:

- The scheme terms and conditions;
- The FACS conditions of tendering;
- The Community Services Service Agreement; and
- The Draft SHS Practice Guidelines.

To assist applicants through the application process, FACS also published the following on the e-tendering website:

- A help guide for applicants;
- An information and awareness video package to assist providers in completing the form on a step-by-step basis;
- Seven FAQ fact sheets responding to questions raised by organisations not covered in existing information; and
- A pre-recorded webinar presentation responding to common themes raised in FAQs.

In addition, technical assistance for applicants experiencing difficulties in completing the application form was made available through the NSW Procurement Client Contact Centre. FACS also established a dedicated helpline and e-mail enquiries address for questions relating to the content of the application form.<sup>126</sup> A log was maintained of queries received and answers given through these mechanisms. Responses were approved by the appropriate level managers within FACS before being issued. Any responses that contained new information or clarification of existing information that would be beneficial to other applicants were included in the seven FAQ fact sheets and published on the e-tendering website throughout the duration that applications were open.

Additional support was offered to small and Aboriginal-run providers at the prequalification application stage. The availability of support was included in material published when the Prequalification Scheme opened on 23 September 2013, and further details on how to apply for this assistance were published on 27 September 2013. Up to five hours of consultancy support from a choice of seven independent and appropriately qualified providers (including Aboriginal-run consultancies) was made available to eligible organisations.<sup>127</sup>

#### **7.4.2 Select Tender**

Similar to the Prequalification Scheme, FACS made the following resources available to applicants:

- A Helpline;
- District information sessions; and
- FAQs and Fact Sheets.

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<sup>126</sup> FACS 2014 *GHS Implementation Review Evidence Review Summary*

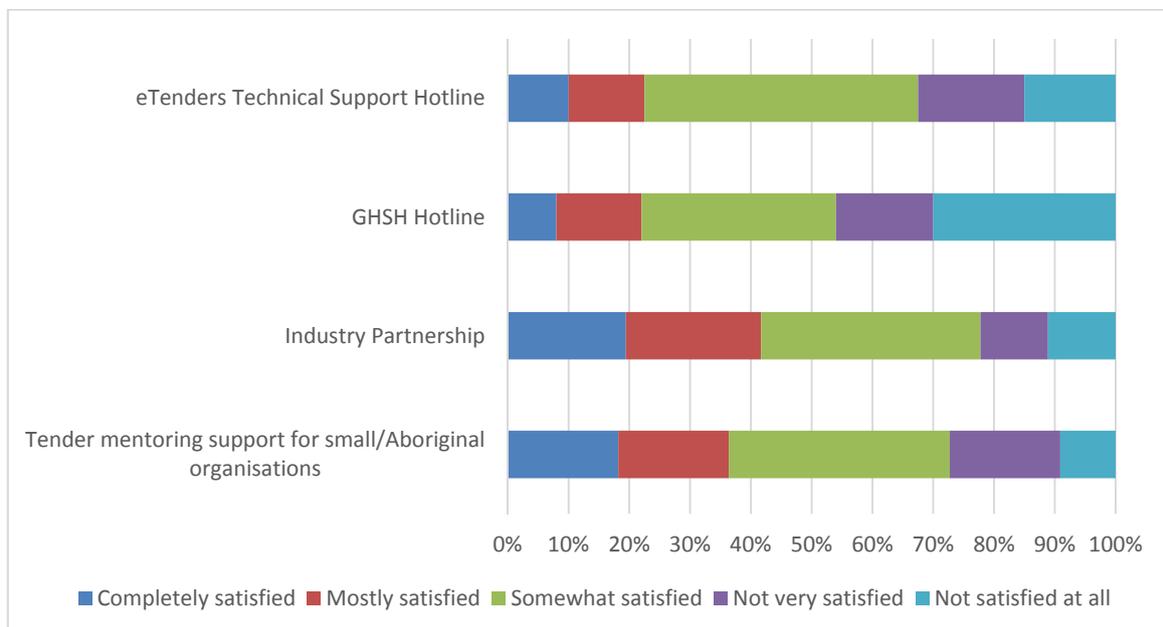
<sup>127</sup> FACS 2013, *Procurement support for small and Aboriginal organisations*, Fact Sheet Issue 3

FACS provided support and mentoring to small and Aboriginal organisations as was provided for in the prequalification process through the Independent Procurement Mentoring and Support program. This included up to ten hours of mentoring and support per eligible individual organisation. Independent procurement support was also available to eligible lead entities and to organisations who are partners in a joint working agreement.<sup>128</sup> A group of select consultants were approved to provide procurement support.<sup>129</sup> This support did not extend to completing the tender documents.

Despite the attempts of FACS to support service providers through the tender process, feedback from survey respondents indicates that providers found the quality and/or accessibility of information about the GSH reform process, and specifically the procurement process, significantly lacking. Respondents indicated that they found it difficult to access the type of information that they needed to enable their level of readiness for either tendering or change. Many of the comments received through the survey focused on the lateness of information being received. *“Decisions on what service packages would be offered in each District could have been made in consultation and released well prior to the competitive tendering process opening. Agencies would have then had the information needed to work out, in each District, possible partnerships and other cooperative arrangements for moving to a reformed system,”* said one respondent to the survey, with another commenting, *“There was no knowledge of what was actually involved in tendering until the tender invitation was issued.”*

Figure 7-2 below shows responses regarding the overall level of satisfaction with information received during the tender and procurement stage.

Figure 7-2: Level of satisfaction of those providers who accessed FACS’ GSH assistance



<sup>128</sup> FACS 2014, *Independent Procurement Mentoring and Support for small and Aboriginal organisations: Fact Sheet*

<sup>129</sup> FACS 2014, *Independent Procurement Mentoring and Support for small and Aboriginal organisations: Fact Sheet*

Source: KPMG Survey of homelessness service providers

While 54 per cent of survey respondents reported that they were at least somewhat satisfied with the GSH hotline, a significant proportion were not, with 46 per cent either not very satisfied or not satisfied at all. Some survey participants found that the hotline was ineffective, that their local office did not have information; they were 'kept out of the loop', that the FACS website did not contain updated information, and that key information was either not publicly available or difficult to access. One respondent stated; '*I would have liked the GSH hotline to return my calls and the GSH team to answer questions put to them rather than being ignored*'. The highest level of satisfaction was for the Industry Partnership, a consortium of Homelessness NSW, DV NSW and Yfoundations who supported services through activities such as tender writing workshops.

## 7.5 Appropriateness and effectiveness of procurement process

### 7.5.1 Competitive tender process

The overall procurement process undertaken by FACS for the GSH reforms and the final outcomes have been subject to considerable criticism. As has been stated previously in this report, the scale of the reforms that were introduced under the GSH and the procurement process undertaken were unprecedented in NSW human service delivery.

FACS did consider alternative approaches to a competitive tender process, such as negotiation or tiered procurement. There were also diverse views as to preferred approaches expressed by SRG on this matter. FACS ultimately made the decision to adopt a competitive tender approach because it was considered most likely to widen or diversify the range of service providers and encourage innovation,<sup>130</sup> However, a decision was ultimately made to adopt a competitive tender approach, with the number of new entrants constrained to reduce competitive tension. Although this review does not consider the merits or otherwise of competitive tendering processes for these types of services, the adverse reactions from homelessness service providers and parts of the community following the outcomes of the competitive tender process highlight some of the challenges in pursuing market driven policies in the human service sector.

Some homelessness service providers who completed the survey believe that the competitive tendering process undermined the trusting relationships with community and inter-organisation collaboration that characterised the sector prior to the process and introduced a culture that was not in alignment with the philosophy of the sector. One survey respondent said that; "*Competitive tendering has managed to destroy established networks and cooperative alliances by introducing suspicion and self-interest in a sector that needs to be working together to obtain the scarce resources to resolve client issues.*" Others reported that competitive tendering was an "*inappropriate approach for the SHS sector as it sets organisations against each other in an environment which encourages secrecy and division and constrains peak bodies in their ability to represent the sector and negotiate with government on behalf of members if not executed in a sufficiently flexible manner*".<sup>131</sup> Further, the review heard concerns that the way the competitive tender was executed by FACS resulted "*in many services with a good record of delivering practical outcomes, but*

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<sup>130</sup> FACS 2013, *Procurement Plan: Specialist Homelessness Services*, version 3

<sup>131</sup> FACS Ombudsman's Summary of Issues Raised by Stakeholders and FACS Response

*with less expertise in administration, to effectively be less competitive. This was particularly problematic against a background of funding being managed under the grants process and with less than robust contract management by Community Services over many years”*.<sup>132</sup> Certainly, the longer-term impact of the GSH reforms on relationships between services, and the ultimate impact of these changes for clients in service levels or quality, will be a key area for future M&E activity.

There were some ways that FACS did act to mitigate the potential adverse outcomes that the competitive tender process had on the sector:

- The three homeless peak organisations were funded to offer an Industry Development Fund for structural change to organisations, including strengthening partnerships and investigating mergers/amalgamations. \$1.34 million was awarded to 58 organisations (including 184 partners) across all 15 Districts.<sup>133</sup>
- FACS provided procurement support to small organisations and Aboriginal organisations with writing tender applications (this did not extend to writing the documents).
- FACS limited the number of new entrants who were eligible to tender by excluding Government agencies, organisations that received SHS funding in another State/Territory but did not otherwise meet the eligibility criteria, and organisations that operate other services in NSW (e.g. employment services).<sup>134</sup>

Against this, it is noted that:

- The funds for the Innovation Fund were not distributed until August 2013, one month before the Prequalification Scheme opened for applications.<sup>135</sup> Beginning the procurement phase so quickly after awarding the Industry Development Funds to organisations undermined the effectiveness of this activity.
- Some of the small organisations and Aboriginal organisations who received procurement assistance reported that the assistance was ultimately not enough to account for their lack of experience in writing tender applications.<sup>136</sup>
- The decision to restrict the pool of eligible tender participants did lessen the impact of the competitive tender process on the NSW SHS sector. Greater competition from agencies based interstate or organisations that operated similar services but not existing homelessness services would likely have increased the competition even further.

Criticisms were also made that FACS preferred JWAs instead of stand-alone tender applications and that this unduly disadvantaged small organisations. Although FACS did indicate in the GSH Reform Plan that in its ideal future state, the SHS Sector would have “consortia and alliances to deliver holistic client results”<sup>137</sup>

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<sup>132</sup> FACS Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

<sup>133</sup> FACS 2014 *GSH Implementation Review Evidence Review Summary*

<sup>134</sup> FACS 2014, *SHS Prequalification Scheme Assessment Guidelines*

<sup>135</sup> FACS 2014 *GSH Implementation Review Evidence Review Summary*

<sup>136</sup> FACS Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

<sup>137</sup> FACS Reform Plan

and aim to improve the efficiency through a reduction in the total number of service packages available, the procurement process was bound to the tender selection criteria outlined above, not the organisational arrangements through which services would be provided.

### 7.5.2 Prequalification

Internal and external stakeholders have questioned the need and value of the prequalification process given that 239 out of 242 eligible applicants were successfully qualified. Concerns raised by providers included concerns about the design of the prequalification process, a lack of information, confusion regarding how to challenge decisions (some were able to challenge and others not), and that the process “*skewed expectations and plans leading into the tendering process*”.<sup>138</sup> By introducing a two-step process, it also added to the time pressures that services experienced in the subsequent tender phase.

However, the Prequalification Scheme resulted in three distinct benefits. Firstly, in light of the insufficient market capability analysis conducted by FACS prior to the procurement process, the Prequalification Scheme provided FACS with invaluable information on the state of the homelessness sector, including the service capability, service footprint, geographic reach and financial/governance strength of homelessness service providers. Given the previous approach to funding the sector via historic contracts and block funding arrangements, FACS did not readily possess this information prior to undertaking the Prequalification Scheme.

Secondly, by undertaking the prequalification process, FACS has a readily available list of homelessness service providers to access and contract directly should any providers of the 149 service packages withdraw from providing those services over the life of the Prequalification Scheme—the next three years. This has already been used to support secondary procurement and may also enable the disbursement of funding under the Homelessness Youth Assistance Program, avoiding significant cost and effort to providers and government.

Thirdly, by restricting the pool of eligible tender participants to those outlined above in the prequalification eligibility criteria, it lessened the impact of the competitive tender process on the NSW SHS sector.

### 7.5.3 Timing

As has been already discussed in the Reform Timing and Reforms section, while tight overall timeframes placed considerable pressure on most parts of the GSH reforms, the time pressure was most keenly felt within the procurement stage.<sup>139</sup>

The concerns expressed by the sector regarding the impact of the tight timeframes on the procurement process and the resulting pressure on services to meet deadlines, and in particular the impact on smaller, less well-resourced organisations, are not without merit. The initial timing of the state-wide tender during December was impractical and failed to take into account the scale of the change FACS was imposing on the sector, the inexperience of the sector when it came to competitive tendering, and the staffing demands and resources available to organisations, particularly small organisations, to gear up for such a major change

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<sup>138</sup> KPMG Survey of SHS providers

<sup>139</sup> KPMG Survey of SHS providers

in the lead up to the Christmas holiday period. All of these issues meant considerable stress and pressure for some services, particularly those who were not able to take on additional resources to assist. A survey respondent commented; *“The timing over Christmas was very poorly considered and further exacerbated by the change in word count in early January after considerable work had already been completed on the tender document.”*

The subsequent decision by FACS to acknowledge this problem and extend the tender process out to 7 February 2014 in response to sector concerns is considered sound, despite the fact that the extension caused further disruptions.

Stakeholders also had concerns that the tight procurement timeframes also adversely impacted the ability that providers had to arrange JWAs to meet the new service packages.<sup>140</sup> Another respondent stated that, *“The packages to be tendered for had combined target groups which usually necessitated the negotiation of service agreements, conglomerates and partnerships. The timeframe was simply inadequate for proper negotiations of these.”*

The extension to the select tender submission date and FACS not requiring evidence of a JWA until 30 September 2014 alleviated this concern to a certain extent.

The tight timeframes also contributed to mistakes and inaccurate information that was contained in some of the service packages regarding property allocation. One SHS provider reported that: *‘the tender specifications were clearly put together in a rush, as they had so many errors and spelling mistakes which tends to indicate poor oversight of final product.’*

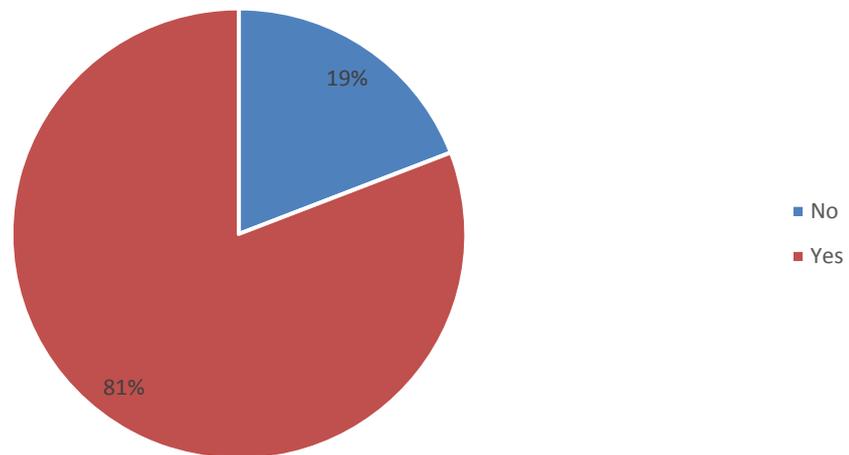
While FACS did make it clear in its tender documents that changes may occur to property details in the service packages throughout the procurement process, greater time spent in understanding its property portfolio prior to undertaking the reforms would have reduced these errors.

Finally, the delay in announcing the outcomes of the tender process also adversely affected homelessness service providers with 81 per cent of providers responding to the KPMG survey reporting problems as a result of the delay, as shown in Figure 7-3 below.

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<sup>140</sup> FACS Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

Figure 7-3: Percentage of homelessness service providers surveyed who experienced any particular problems or issues as a result of the timing of the notification of the tender outcome



Source: KPMG Survey of SHS providers

These difficulties typically related to the late timing of the tender announcement impacting on the ability of services to take on clients, as they did not know whether they would be receiving funding. Survey respondents identified negative impacts for both staff and clients. Staff impacts included stress, uncertainty regarding job security, burnout, negative health effects, lowered morale and poor engagement in work as some staff took leave or left. One commented: *“Delay in the tender outcome, affected staff anxiety, we placed extra support mechanisms in place to support them [though] the process...”* The longer term impact of the changes on the homelessness sector workforce, in terms of staffing numbers and experience, is an area for future M&E activity.

Survey respondents also flagged issues for clients such as agitation and stress due to uncertainty. The impact of the reforms on clients, in terms of service accessibility, quality, and outcomes for clients, should be a major focus of the future M&E strategy for the reforms.

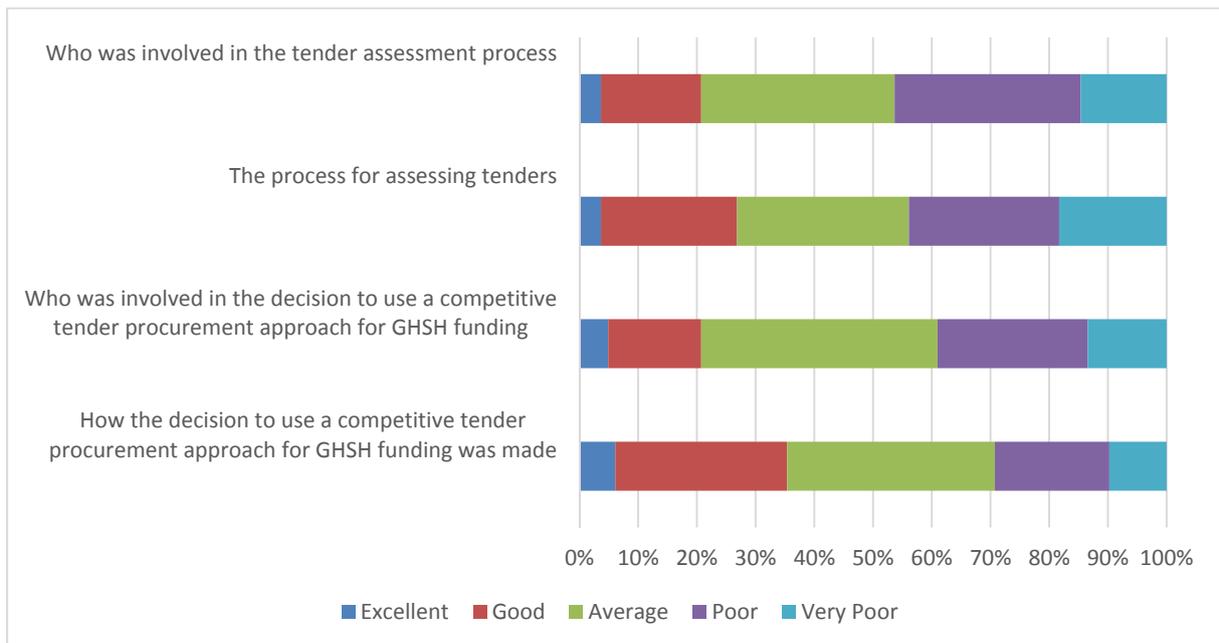
### 7.5.3.1 Probity

Some of the criticisms made by stakeholders of the procurement process relate to the probity requirements placed on the process by FACS.<sup>141</sup> Some stakeholders believe that these processes resulted in insufficient consultation between FACS staff, particularly District staff and homelessness service providers.<sup>142</sup> There were concerns about the degree to which FACS staff in the Districts had an understanding of probity principles, with District staff used to operating in a more open and collaborative manner with local service providers.<sup>143</sup>

Some providers also expressed strong concerns about the transparency of the evaluation process and eventual outcomes stating: *“I have no confidence that the assessment process was transparent, valid or fair. The outcomes are highly contested, and this is not a good thing,”* and *“We do not believe that there was proper transparency, right of appeal or equality provided in the process.”*

With regard to this, it is noted that knowledge of how decisions were made and who made them was generally very limited in the sector. This is demonstrated in the following Figure 7-4:

Figure 7-4: Knowledge of survey respondents of the tender decision making process



Source: KPMG Survey of SHS providers

As this figure shows, just over half of the survey respondents considered that they had at least an average knowledge of who was involved in the tender process and the process for assessing tenders, but around 45 per cent indicated they only had poor or very poor knowledge of these aspects. By comparison, respondents

<sup>141</sup> FACS Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

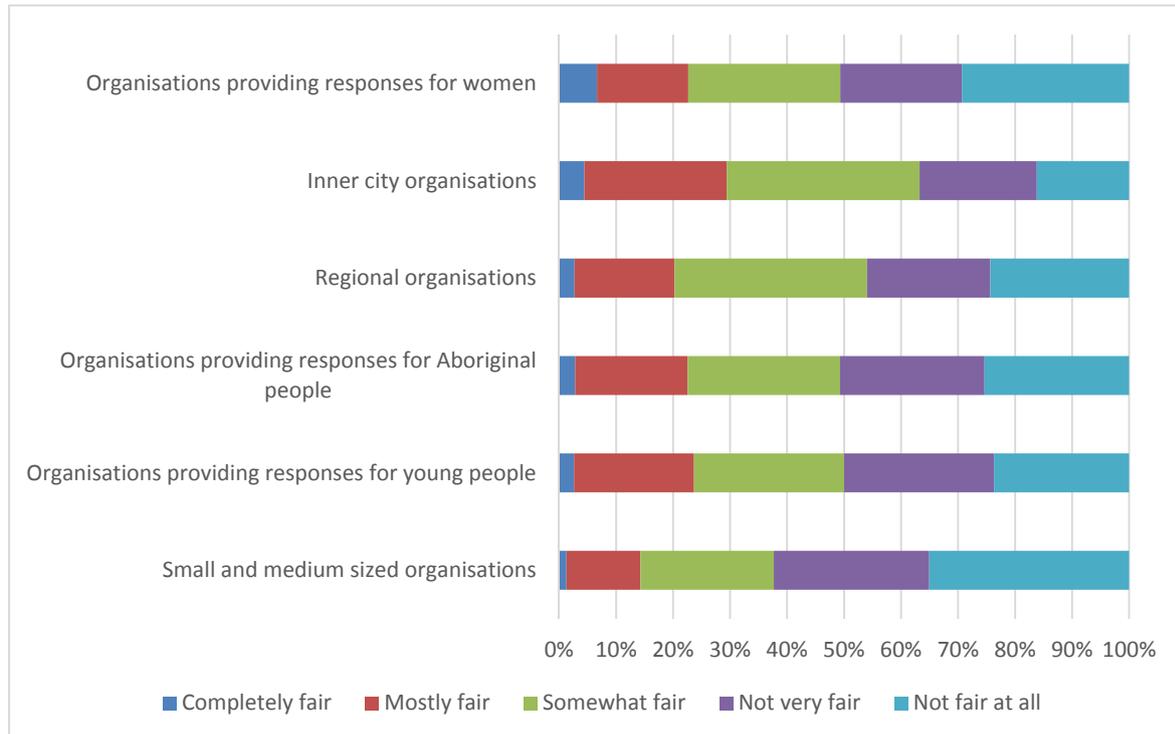
<sup>142</sup> FACS Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

<sup>143</sup> KPMG Consultations

generally indicated they had some knowledge of how the decision to use a competitive tendering process was made and who was involved in this decision.

Figure 7.5 below shows the views of particular groups about the fairness of the process.

*Figure 7-5: Views of survey respondents on the fairness of the procurement process for different organisation types (percentage)*



Source: KPMG Survey of SHS providers

As this figure indicates, survey respondents felt that the outcomes of the procurement process had been particularly unfair to small and medium sized organisations, and to organisations providing responses for women.

While the purpose of this review has not been to undertake a probity audit, there was considerable risk that given the scale of the procurement task, the number of stakeholders and FACS staff involved in the project that probity concerns could undermine the GHSH reforms. Given this risk, the probity processes that FACS put in place—engaging FACS Procurement and NSW Procurement throughout and appointing an independent probity advisor to oversee the process—were appropriate. This finding is supported by an internal audit undertaken by FACS’ internal auditor, which reviewed the robustness of FACS state-wide select tender process. The auditor rated FACS internal control adequacy and operating effectiveness as “Adequate Management”.<sup>144</sup>

<sup>144</sup> FACS Ombudsman’s Summary of Issues Raised by Stakeholders and FACS Response

However, overall, survey respondents mentioned a lack of ‘fairness and transparency’ in the tender process. In reality, services couldn’t know whether the process was fair or not if it was not transparent – if services didn’t have the information on how decisions were made and who was involved. As such, the issue being perceived as a lack of ‘fairness’ may actually reflect a lack of transparency in the process – which is supported by the lack of knowledge of how the decisions were made, shown in the survey findings.

## 7.6 Lessons learned

- When undertaking a similar major reform, in-depth market capability analysis and market sounding should be undertaken prior to the design of procurement processes.
- Undertaking direct modelling of the likely outcomes of the procurement process and explicitly communicating what these likely outcomes might be would have better conditioned the sector for the eventual outcomes.
- A similar prequalification process to that undertaken in the GSH reforms should be considered. However, increasing the time between holding the prequalification scheme and select tender stage would reduce the burden and time pressures on service providers.
- When scheduling timeframes, it is important to consider: the maturity of the sector and its capability to meet those timeframes; the degree of change from ‘business as usual’; and how much time would reasonably be required for service providers to develop innovative service packages and partnership agreements.
- Scheduling around the Christmas/New Year holiday period should, where possible, be avoided.
- New thinking on alternative procurement approaches is needed so that the benefits of co-design are not lost while still meeting probity concerns (Scotland and the United Kingdom’s experience with Public Social Partnerships provide a useful reference point in this regard).
- Where probity processes need to be implemented, these should be supported by clear communication processes to ensure that all parties are aware of the importance of probity and what can and cannot be achieved.

## 8 Next steps

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This PIR is intended to be the first step in a comprehensive M&E strategy for the GHSH reforms of SHS, which will look beyond implementation and go to the heart of to what extent, and in what ways, the reforms achieved their objectives.

While the activities and framework for this strategy are still to be finalised, a number of key issues have emerged in the process of undertaking this Review that should be considered for future M&E activities. These are:

- The impact of the reforms on service accessibility, quality, and outcomes for clients, including the impact of increased emphasis on prevention and early intervention. Client engagement will be critical to effectively assess the impact of this change, and understand where there remains room for improvement.
- The impact for women, particularly women who have experienced domestic and family violence, of the changes in funding arrangements for women's services that took place under GHSH, in terms of changes to the appropriateness and availability of services for these clients.
- The impact of the reforms on specialist services, including the impact on small providers of specialist services, in terms of changes to service capacity, accessibility, and quality, as well as the impact on clients requiring specialist support and their outcomes.
- The effect of the different approaches used for service design and planning as a result of District-based service planning mechanisms. Variation can be positive if it indicates that service packages are diverse in their response to local needs; alternatively, it can be a negative if it indicates inconsistent service accessibility, quality, or outcomes for clients across districts.
- The extent to which the RAM, as implemented, is considered to have effectively redistributed resources according to need, in terms of service accessibility, quality, and outcomes for clients, with recommendations for any further resource redistribution that can be made to better align resources to need.
- The impact of the reforms on sector relationships, both between services and between services and FACS, and the effect of this on service viability, accessibility, and quality. There was an explicit shift towards more alliances and JWAs, which was intended to promote integrated service delivery through cooperative working arrangements. However, some sector representatives expressed the view that the competitive tendering arrangements, in particular, worked against constructive and collaborative relationships and that many of the partnerships formed may not be sustained into the future. Future evaluation will need to consider whether impact is short- or long-term and identify strategies to promote further collaboration and partnership.
- The impact of the reforms on the sector workforce, including changes to available resources, skills, and experience, in terms of service accessibility, quality, and outcomes for clients. Some services stated that there was some staffing loss due to the pressures and uncertainties of the reform process. The shift in funding towards larger organisations may also have had an effect on the staffing profile of the sector as a whole.



- The relative merits of different tendering mechanisms within the human services sector, and particularly how and in what ways tendering for human services can be carried out in a way that supports relationships between all relevant parties, and outcomes for clients.



## Appendices

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## Appendix A: Methodology

The detailed review framework and key investigation questions that underpinned the PIR is set out below.

### GSHS Review Framework

<i>Investigation questions</i>	<i>Investigation sub-questions</i>	<i>Data sources</i>
<i>Reform Timing and timeframes</i>		
What were the timeframes and sequencing of major events?	<ul style="list-style-type: none"> <li>• What timelines were set out in project plans? Were these timelines met? What issues – internal and external – were relevant to the setting of these timeframes?</li> <li>• What representations were received by FACS on the timelines? What was FACS' response to these representations?</li> <li>• Where did variations occur?</li> <li>• What issues – internal and external – were relevant to any variations to timeframes?</li> <li>• When were decisions made and changes to timelines communicated?</li> <li>• What strategies were in place to report and manage changes?</li> </ul>	Desktop document review FACS stakeholders
How effective were the timeframes and time management – in terms of being appropriate and adequate to deliver the desired process?	<ul style="list-style-type: none"> <li>• To what extent were organisations clear on the process and the sequencing of steps in the process?</li> <li>• How feasible were the timelines in ensuring the objectives of the process were met?</li> </ul>	FACS stakeholders SRG/PoE stakeholders On-line SHS survey
How did timing issues impact implementation of the GSHS reforms?	<ul style="list-style-type: none"> <li>• What was the effect of the timing and scheduling (including any changes) on organisations, workers and the overall process?</li> </ul>	Desktop document review SRG & PoE stakeholders On-line SHS survey
<i>Governance/stakeholder engagement</i>		
What governance arrangements were put in place for the Project?	<ul style="list-style-type: none"> <li>• Who was involved, what were the structures in place? (SRG, PoE, Project Groups)</li> <li>• What communication protocols existed?</li> <li>• What project planning and documentation of decisions took place?</li> </ul>	Desktop document review

<i>Investigation questions</i>	<i>Investigation sub-questions</i>	<i>Data sources</i>
How effective were the governance arrangements in terms of delivering a process that was transparent, inclusive, and accountable?	<ul style="list-style-type: none"> <li>• What was the role and authority of each of these groups?</li> <li>• How were decisions made regarding involvement in the governance structures? e.g. what recruitment processes were undertaken?</li> <li>• To what extent were the 1) mechanisms and 2) organisations included in the stakeholder groups effective at representing diverse views?</li> <li>• To what extent were the 1) mechanisms and 2) organisations included in the stakeholder groups at influencing the process to enable views of stakeholders to be reflected in the final design?</li> </ul>	FACS stakeholders PoE/SRG stakeholders On-line SHS survey
What are the learnings for improving ongoing governance and future reform processes of a similar nature?		<i>Findings and recommendations drawn from analysis of all data.</i>
What stakeholder engagement was undertaken?	<ul style="list-style-type: none"> <li>• What information was available and how was it made available?</li> <li>• What types of stakeholder forums/mechanisms were used?</li> <li>• How many people from what cohorts (service users/SHS providers) attended/accessed information (website etc.)?</li> </ul>	Desktop document review
How effective were the stakeholder management arrangements that were put in place – in terms of delivering a process that was inclusive and cooperative, and provided the sector with the information they needed to implement the changes?	<ul style="list-style-type: none"> <li>• To what extent, and in what ways, was the stakeholder engagement process effective in making the case for change for GSH reforms?</li> <li>• Did stakeholders consider that they received adequate, appropriate information throughout the process?</li> <li>• What opportunities were there for stakeholders to provide feedback? Did they take these opportunities?</li> <li>• Did stakeholders consider that any feedback they provided influenced the final design/ process/ product?</li> <li>• Did stakeholders consider that they were partners in the process?</li> <li>• How inclusive of all relevant people/cohorts was the engagement process perceived to be?</li> </ul>	FACS stakeholders PoE/SRG stakeholders On-line SHS survey

<i>Investigation questions</i>	<i>Investigation sub-questions</i>	<i>Data sources</i>
Where did learnings for future reform processes emerge in the area of stakeholder engagement?		<i>Findings and recommendations drawn from analysis of all data.</i>
<i>Service design and planning</i>		
What are the proposed changes to service design and planning under GHS, and how were they developed?	<ul style="list-style-type: none"> <li>• What changes to services and the system took place as a result of GHS?</li> <li>• How was the service design and planning undertaken?</li> <li>• What data or evidence was used to support the changes?</li> <li>• What is the forecast budgetary/distributional impact of the changes? (no. of services, no. of clients, locations)</li> </ul>	Desktop document review
How effective was the planning process undertaken to deliver the new service packages, in terms of being inclusive, cooperative, feasible, transparent, and achieving SHS service design priorities?	<ul style="list-style-type: none"> <li>• What is stakeholders' understanding of the changes that took place?</li> <li>• Was there a perception that certain kinds of services were advantaged/disadvantaged in the planning process? (serving specific groups/areas/size of service)</li> <li>• What supports were accessed by providers during the tender and procurement process? (Tender Helpline, independent procurement support service for small/Aboriginal organisations, innovation fund)</li> <li>• How 1) known; 2) understood 3) effective were these supports considered to be in supporting services to tender for GHS?</li> <li>• What other kinds of support were needed?</li> </ul>	PoE/SRG stakeholders On-line SHS survey
What are the key learnings that have emerged for similar reform processes in the future?		<i>Findings and recommendations drawn from analysis of all data.</i>
<i>Procurement</i>		
How was tendering and procurement undertaken, and what processes were undertaken to design and carry out this activity?	<ul style="list-style-type: none"> <li>• What steps were undertaken in designing the procurement process?</li> <li>• What steps were undertaken in conducting the procurement process?</li> <li>• What parties were involved in the procurement process - both internal and external to FACS?</li> </ul>	Desktop document review FACS stakeholders

<i>Investigation questions</i>	<i>Investigation sub-questions</i>	<i>Data sources</i>
	<ul style="list-style-type: none"> <li>• How were the criteria on which success of the system will be measured reflected in contract performance requirements?</li> <li>• What was the resourcing impact for the sector of the tender process?</li> </ul>	
<p>How effective was each stage of the tendering and procurement process (pre-qualification, tender, tender assessment, tender announcement), in terms of being open, accountable and transparent, and delivering on the GHSH reform objectives?</p>	<ul style="list-style-type: none"> <li>• What do services understand about how and on what basis funding decisions were made?</li> <li>• How did services find the process of tendering?</li> <li>• Where did the issues arise? What did services do to overcome these? To what extent were any strategies or actions adopted effective?</li> <li>• How confident are services regarding their ability to meet expectations for service design/quality/outcomes?</li> <li>• Do services consider that the outcome of the tender process to be fair? If not, why not?</li> <li>• Were certain kinds of services advantaged / disadvantaged in the procurement process? (serving specific groups/areas/size of service)</li> </ul>	<p>FACS/PoE/SRG stakeholders On-line SHS survey</p>
<p>What are the key learnings that have emerged for similar reform processes in the future?</p>		<p><i>Findings and recommendations drawn from analysis of all data.</i></p>

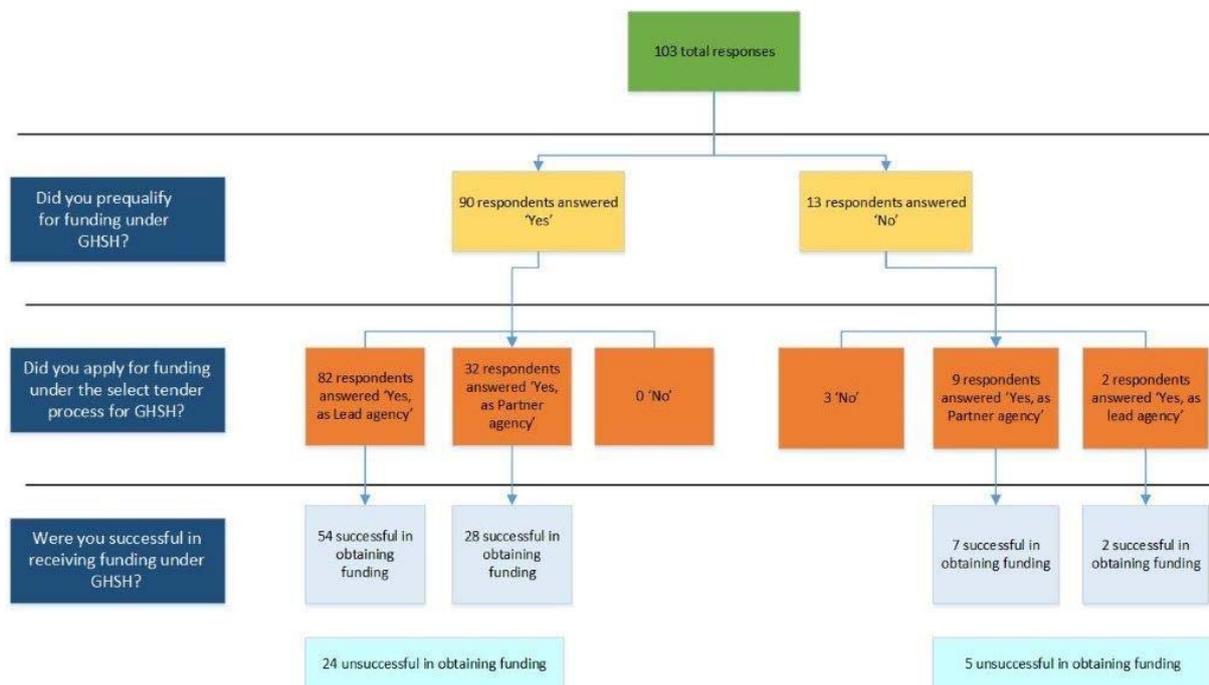
Source: KPMG

## Appendix B: Stakeholder Consultation

### B.1 Survey

The following diagram shows the responses received to the survey, according to the major categories of respondents.

B.1-1 Survey respondents by funding categories



GSHH Provider Survey Results 2014.

Note to figure B.1-1: Records the responses provided by survey respondents. Numbers of applications and successful applications do not total numbers of prequalified services as services could apply for funding under more than one category (i.e. as partner and lead agency).

## B.2 Stakeholder Interviews

As part of the project KPMG has performed a total of thirty-four interviews with stakeholders (including individual and group interviews). A full list of stakeholders consulted are identified below.

	<i>Stakeholder group / role</i>	<i>Representing</i>
1.	Former Executive Director, Housing Policy & Homelessness & Project Sponsor + Interim Chair of the GSH Project Board	FACS
2.	Professor, University of NSW & member of PoE / M&E	Independent Chair, PoE and M&E
3.	Executive Officer, Shelter NSW & member of SRG	Shelter NSW
4.	Former CEO, Homelessness NSW & member of SRG	Homelessness NSW
5.	CEO, NSW Federation of Housing Associations & member of SRG	NSW Federation of Housing Associations
6.	Consumer Representative - PoE	StreetCare consumer representative
7.	Associate Professor, Swinburne University of Technology & member of PoE/M&E	Swinburne University of Technology
8.	CEO, DV NSW + SRG	Domestic Violence NSW
9.	Senior Policy Officer + SRG	NCOSS
10.	Senior Policy Officer + M&E	Yfoundations
11.	Director, Strategic Projects, NSW Ombudsman	NSW Ombudsman
12.	Project Officer, Strategic Projects, NSW Ombudsman	NSW Ombudsman
13.	Former Chief Executive of Housing NSW and Chair of the GSH Project Board	FACS
14.	Deputy Chief Executive, Community Services and Deputy Secretary, Southern Cluster of Districts and Housing State-wide Services	FACS
15.	Director, Homelessness Service Reform	FACS
16.	Managers and Project Managers from Reform Transition and Industry & Workforce Development; Service Design; GSH Monitoring and Evaluation; Priority Reform Projects; Program and Change Management; SHS Program; FACS Funded Services Procurement;	FACS
17.	Senior Policy Officer, Change and Communications	FACS

	<i>Stakeholder group / role</i>	<i>Representing</i>
18.	Executive Directors, Community and Private Market Housing & Service System Delivery, Community Services	FACS
19.	Principal Policy Officer, Service Delivery Design & Project Manager, Inner City Restoration	FACS
20.	Regional Manager and Project Manager, Community and Private Market Housing (CAPMH)	FACS
21.	District Directors - Western NSW, Mid-North Coast, Sydney, Illawarra Shoalhaven and District GSH Transition Leads (12)	FACS
22.	Director, RiskReward, external probity advisor engaged for GSH procurement	Independent

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