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Toward productivity with purpose 2: Investing for value and impact

This is the second of two blogs to inform conversations being advanced by ARACY and collaborators about a new paradigm of what productivity means - what it looks like, and how we measure and value it. ARACY is urging the Treasurer's Economic Reform Roundtable to 'take this opportunity **not to reform productivity, but to redefine it**'. (The first blog is [Toward productivity for purpose: System approaches to building human capital, from the beginning.](#))

In keeping with the growing worldwide 'Beyond GDP' movement, this paper delves deeper into an aspect of that broad agenda – specifically, a smarter approach to public investment and commissioning, using better the existing resources expended in the full suite of human development systems – our learning, care and support systems - that engage and enable children, young people and families.

Looking at issues about how public expenditure happens, and some of the resulting unintended and undesired costs and consequences, we see issues of waste and how long-standing processes detract from the good intent and efforts of governments, communities and organisations dedicated to creating an equitable, sustainable and productive Australia.

The Albanese Government has agreed on 'a five pillar productivity agenda with National Cabinet':

1. creating a more dynamic and resilient economy
2. building a skilled and adaptable workforce
3. harnessing data and digital technology
4. delivering quality care more efficiently
5. investing in the net zero transformation.

Our core contention is that dynamic, resilient, sustainable, equitable and productive societies require capable and connected people, workforces, organisations, sectors and systems. They also require resource flows and processes that are equitable, efficient, effective and productive.

Toward a Productive Investment Action Plan

To this end, we propose a suite of actionable, practical and cost-effective 'investment reform' propositions to re-engineer budget and investment processes:

1. Add another pillar to the proposed Productivity Agenda of 'pursuing reforms to public investment processes to deliver greater public value and community benefit'.
2. Set targets that drive a better balance of public investment across the continuum of primary, secondary and tertiary health and social care and learning systems.
3. Shift, over time, the balance of investment toward 'up stream' preventive and developmental interventions.
4. Enable cultural and community due diligence to inform public investment decision-making.

5. Extend the role of Primary Health Networks (PHNs) to be joint regional commissioning 'health and care' networks - for federal, and state and territory governments - across early child development, health, disability and social care.
6. Commission PHNs to facilitate regional community-developed early child development plans jointly with state agencies, NGOs and institutes, and invest in their plans.
7. Rationalise or better link the plethora of existing federal, and state and territory government investments in child and family-focused place-based initiatives.
8. Resource the infrastructure that better connects and gears services and systems, such as integrated services like high-quality child and family hubs given their significant social and economic valueⁱⁱ.
9. Re-route - through block and targeted grants - a fair proportion of public investments to subsidise service access to 'under-served' families and communities.
10. Adopt longer term contracts (7-10 year) for high performing health and social care providers.
11. Operationalise *The Nest Child and Youth Wellbeing Outcomes Framework*ⁱⁱⁱ and associated wellbeing measures and metrics as a common commissioning and outcomes-based reporting tools.
12. Engage all states and territories in, and extend the scale of the ambitions and resource pools being brokered by the Investment Dialogue for Australia's Children.

Where we've come from and why we need productivity reform

Current systems - health, education, community services and so on - are enabled through billions of dollars of public and other investments. As the Treasurer has noted: 'Of the six biggest structural pressures on the Budget, four are care-related: health, the NDIS, aged care, and early childhood education and care.'

In 2020, it was estimated that Australian governments are spending \$15.2 billion each year on high-intensity and crisis services for problems that may have been prevented had they invested earlier and more wisely in the lives of children and young people.^{iv} As a recent NCOS paper stated: 'Child poverty costs \$60 billion in NSW alone'.^v

A significant proportion of public expenditure in these and other portfolios – across local governments, states and territories, and the Australian Government – is outsourced to community organisations, councils and private enterprises. This public investment mostly happens through competitive commissioning processes done in accordance with procurement policies and guides established by Treasuries.

Over the past five decades or so in Australia there has been extraordinary growth and proliferation in the:

- proportion and quantum of commissioned public expenditure
- number of programs and projects
- number of providers
- number and the complexity of contracts
- costs for governments developing programs, commissioning and managing contracts
- number and costs of associated standards and accreditation processes
- costs for organisations applying for competitive grants (by definition, most unsuccessfully) and managing multiple contracts and
- costs on regulating and scrutinising outsourced services.

Less common have:

- administrative and transaction costs been quantified or assessed
- independent validations been undertaken of fidelity to the evidence or scientific case for programs
- best practice implementation approaches been properly resourced
- systematic evaluations been undertaken and learnings shared and applied about what is working or not
- 'like' programs been amalgamated or recommissioned to avoid duplication
- duplicative or redundant 'red tape' been systematically reduced, or
- risk-based standards and checks and regulatory requirements been assessed to determine whether they are fit for purpose and that benefits outweigh costs.

As a consequence, a significant proportion of the public expenditure intended to create public value and community benefit is consumed by administrative processes for both governments and contracted service providers.

Another critical consequence is highly fragmented, deeply competitive and extraordinarily complicated service systems. In turn this:

- creates gaps, rubs and barriers to holistic and tailored responses to peoples' and communities' needs
- results in a 'huge churn' of referrals - 'revolving doors' - as people are sent from one service to another
- wastes time, creates extra costs, causes trauma for, and depletes the trust and motivation of, people endeavouring to navigate complex systems, including in some cases for those working in them
- results in variable and sometimes contradictory understandings, language, frameworks and tools for multiple practitioners and organisations working with the very same people
- generates demand for new roles for service coordinators and navigators
- requires communities and organisations to expend considerable effort to make investments contextualised, connected and coherent, and
- rewards competition and differentiation rather than collaboration amongst providers, and rewards providers with significant grant writing capacity and capabilities.

Most importantly, these systems issues with current budget and commissioning processes detract from the 'outcomes' meant to be achieved, sought and supported by the community, by most providers and by taxpayers.

In some areas outcomes have not materially improved despite significant public investment. Attention is usually given to the 'intractability' of challenges or issues with providers, without unpacking the contribution of the many systemic settings that can undermine intent, cause harm and perpetuate the challenges seeking to be redressed.

Programs are often highly siloed, specified and targeted^{vi}. They are rarely designed to address the complex and inter-acting causes of ill-health, maltreatment or exclusion, and the inter-dependencies and the compounding impacts of multiple factors at play in the lives of people, families and communities.

Other programs take a 'one-size-fits-all' approach on the assumption that 'universal' necessarily means equitable, despite the growing evidence supporting highly contextualised and personalised responses and interventions, and of the locational inequities that can result.

In addition, there is too often:

- a lack of coordinated infrastructure for community-based planning and commissioning
- little heed to community and consumer wisdom about local assets and priorities, and what most likely will work in local circumstances
- a failure to systematically learn and adapt
- misalignment with continuously emerging knowledge about what works and matters
- short-term and insecure funding arrangements
- a failure to 'pay what it takes'
- investment that is not sufficient to deliver the intended outcomes
- immaturity aligning investments to outcome frameworks and reporting
- an assumption that 'universal access rights' results in equitable access to and distribution of public resources
- an assumption that competitive markets and procurement processes necessarily deliver best value and impact, and
- a failure to control poor quality provision and exploitative profit-taking from unscrupulous private providers.

A recent example of how these insights have been expressed is in the 'Pride in Place: Snapshot Report from PLACE's 2025 Community Roadshow and Listening Tour'^{vii}, which reports on what was heard about the barriers that hold communities back. The report shares five key recurring insights that resonate strongly with those outlined in this paper.

Pride in Place: Snapshot Report (2025) on 'Barriers - what holds communities back?'

1. **SHORT-TERM AND RIGID FUNDING CYCLES:** grants often arrive too late, end early and don't match the real demands of the work. Rather than supporting growth, funding cycles keep organisations stuck in survival mode.
2. **COMPLIANCE OVER CARE:** red tape and reporting requirements consistently emerged as major frustrations, with communities spending more time on paperwork than on people.
3. **INVISIBLE LABOUR AND VOLUNTEER BURNOUT:** communities are carrying too much through unpaid labour which systems depend on but don't acknowledge or support.
4. **FRAGMENTED SERVICES AND SILOED SYSTEMS:** families navigate services that don't talk to each other, repeating their stories and coordinating their own care.
5. **LACK OF MEANINGFUL CONSULTATION:** too many programs arrive with the design already finalised. Communities are then asked to validate or deliver them, being consulted without any influence.

This paper is NOT making the case for less public investment. Nor is it 'having a go at' public services, which are already highly accountable and scrutinised for public expenditure. Neither is it downplaying the complexities, risks and responsibilities for managing public funds.

This paper IS a critique of how we do budget and commissioning processes. It is a critique of the consequences of the mismatch between the horizons of short-term electoral, budget and planning cycles, and the enduring inter-generational impacts of adversities and inequities that require sustained and adaptive investment and concerted leadership at all levels. It is also a critique of the downsides of a long-standing pattern of announcing new program upon new program upon new program.

Investment reform opportunities

It is time to give greater attention to the systemic barriers that impede better results, and to take steps to enable public resources to 'work harder'. Fortunately, there is momentum emerging to re-engineer what, how, where and to whom public resources flow. This is coming from the insights and innovations of leaders and change makers in and out of governments.^{viii} There is growing interest for reforms that enable:

- place-based planning and investment approaches
- community controlled funding and shared community-owned outcome mechanisms
- 'like' or 'linked' programs to be rationalised
- investment in the facilities, platforms, models and capabilities that enable integration, including child and family hubs
- longer-term contracts with proportionate risk management and transaction costs
- shared outcomes frameworks and tools
- impact investing that enables innovation, learning, scaling and embedding
- designing in 'relationality' and 'human capability development', and
- collaborative commissioning and relational contracting.

To date these have been largely at the margins of public investment decision-making. However, they offer promising ways to address the inefficiencies and ineffectiveness in our efforts to respond to adversity, to reduce inequity, to close gaps, and to disrupt inter-generational disadvantage. They offer better ways to build the capability and connections that are essential for the agency and resilience of individuals, families and communities. They also offer a pathway to more sophisticated and collaborative approaches to stewarding service systems.

We need to make how we invest public resources a driver, rather than a drag, on productivity. These 'smarter investment' reforms deserve to be considered in the Albanese Government's push to commence its second term with a renewed focus on productivity and on reducing inter-generational inequity.

To turn around inter-generational injustice and reduce the scale and share of public expenditure on tertiary and crisis services and systems, let's start with systemic priority and critical focus on public investments related to child health, wellbeing, development and resilience.

Let's embrace the tools of collaborative commissioning and relational contracting, and make greater use of the infrastructure we already have for regionally needs assessment and planning - the Australia-wide network of primary health networks.

Let's adopt an investment frame that shifts the balance of resources to more integrated, developmental and preventive interventions that reduce adversities, strengthen positive relationships and supports, and build the capabilities of children, young people and their families and communities.

Finally, let's seize the moment of the growing interest and relationships amongst Australia's philanthropies to work collaboratively with each other and with governments to invest in innovation, scaling and systems change, as evidenced by the Investment Dialogue for Australia's Children and state-based networks such as the Queensland Kids Funders Alliance and the WA Children's Funders Alliance.^{ix}

As the Treasurer concluded in his recent Press Club address: 'But the stakes are too high in our economy – the opportunity is too substantial – to waste this term or waste our time.' Let's add: 'or to waste our public resources, or the potential of Australia's children and young people'.

Michael Hogan, Executive Convenor, Thriving Qld Kids Partnership, ARACY
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ⁱ See for example, Salvaris, M. Woolcock, G. (2010). Changing society's DNA codes: Democracy and the global movement for community progress measures", Australian Journal of Social Issues Vol.45 No.1 AUTUMN 2010

ⁱⁱ <https://ifs.org.uk/publications/short-and-medium-term-effects-sure-start-childrens-outcomes>

ⁱⁱⁱ www.aracy.org.au/the-nest-wellbeing-framework/

^{iv} See www.thekids.org.au/our-research/impact/2020/collaboration/counting-the-cost-of-late-intervention

^v see www.ncoss.org.au/policy-advocacy/policy-research-publications/lasting-impacts-child-poverty-in-nsw/

^{vi}. See, for example: Productivity Commission (2020). *Expenditure on Children in the Northern Territory* (Report, 2020); Productivity Commission (2020), Mental Health; Davis, M., (2019). *Family is culture: independent review of Aboriginal children and young people in out-of-home care in NSW*; Australian Human Rights Commission, (2024). *'Help way earlier!': How Australia can transform child justice to improve safety and wellbeing*.

^{vii} PLACE, (2025). *Pride in Place: Snapshot Report from PLACE's 2025 Community Roadshow and Listening Tour*.

^{viii}. See <https://tqkp.org.au/our-initiatives/investment-reform-for-thriving-kids/>

^{ix}. See <https://www.investmentdialogue.org.au>; <https://www.wachildrensalliance.org.au>.