

Chapter 2

The analysis and impact of the tendering process on service delivery

2.1 This chapter examines the planning and impact of the 2014 tendering process on service provision, service users, peak and advocacy organisations. Participants in the inquiry expressed the following key concerns:

- lack of consultation with the sector;
- lack of planning and analysis;
- timing and timeframes of the process;
- emergence of service gaps;
- sector diversity, including the loss of smaller organisations;
- transparency and equity of the decision making process;
- impact on service users and providers;
- the availability of advocacy support; and
- funding for peak organisations.

Strategy and analysis behind the new grants process

2.2 As part of the 2014–15 Budget, the Australian Government announced new, competitive grant tendering arrangements (*The New Way of Working for Grants*). The objectives of the department's new grants tendering process are to obtain value for money and improve service delivery for community services.¹ Evidence presented to the committee suggests that the introduction of competitive tendering has been a flawed process.

Strategy behind competitive tendering

2.3 While some submitters and witnesses supported the need to obtain 'value for money', many argued that market-based instruments for community services funding need to take into account the complexity of the community services sector.²

2.4 In a recent submission to the government's Competition Policy Review, the Productivity Commission (PC) highlighted that, while competition reforms 'may deliver cost-effective outcomes' for the community services sector, 'it does not guarantee the achievement of non-efficiency objectives such as equity of access to

1 Department of Social Services, *Submission 70*, p. 4, 20.

2 For example, Ms Susan Gray Noble, CEO, Volunteering Victoria, *Committee Hansard*, 21 April 2015, p. 62; Community Housing Federation of Australia. *Submission 81*, pp. 5-6.

basic health services'.³ The PC reported evidence that suggests 'that [market-based instruments] often require refinement over time to promote improved outcomes' and that 'some government agencies may need time to develop their capabilities' to design and implement their systems and processes.⁴ The PC noted that, due to the complex nature of community services:

...a range of strategies is often required to deliver better outcomes for the community. In many cases competition-related reforms (such as the use of market-based instruments) will only be a small part of the overall policy package.⁵

2.5 Community Housing Federation of Australia (CHFA) told the committee that a competitive tendering process is not necessarily appropriate for peak organisations:

Unlike many organisations that provide social services under contract to governments peak bodies, including housing and homelessness, have historically been funded outside of competitive tender processes. While peaks should be funded through a rigorous, transparent process that requires them to demonstrate their value, peak bodies do not operate in a 'marketplace' in the same way that many types of service providers do and funding arrangements for peak bodies should reflect this.⁶

2.6 The design of the tender process meant that peak bodies were applying at the same time as their members and also sometimes competing with member organisations for funding. Southern Youth and Family Services (SYFS) told the committee:

The fact that the peak organisations we rely on to assist us during these periods were also having to involve their resources in tendering at the same time and losing their funding meant that they were incapable of providing the support we needed during this time.⁷

2.7 Homelessness Australia pointed out:

...we were competing and put into a competitive role with many of our own [member] organisations. So we [had] to knock back requests to be their referee because we were in the same funding pot, which was a new situation for us.⁸

3 Productivity Commission, *Submission to the Competition Policy Review*, June 2014, p. 35, <http://www.pc.gov.au/research/completed/competition-policy-review/competition-policy-review-submission.pdf> (accessed 1 September 2015).

4 Productivity Commission, *Submission to the Competition Policy Review*, June 2014, p. 37.

5 Productivity Commission, *Submission to the Competition Policy Review*, June 2014, p. 38.

6 Community Housing Federation of Australia, *Submission 81*, p. 5-6.

7 Ms Narelle Clay, Chief Executive Officer, Southern Youth and Family Services, *Committee Hansard*, 26 June 2015, p. 32.

8 Mr William Mudford, Policy and Research Officer, Homelessness Australia, *Committee Hansard*, 21 April 2015, p. 29.

2.8 Ms Susan Noble, Chief Executive Officer of Volunteering Victoria, argued that the PC's findings highlight the need for analysis and consultation in the development of competitive tendering but that the process did not reflect this:

None of that occurred in what we have just been through with the [department] grants, at least to our knowledge. There was certainly no consultation with us.⁹

Fostering innovative and collaborative projects

2.9 As noted in the committee's interim report, many of the timelines for the process were truncated. The government announced the new broad-banded, competitive grant program on budget day, 13 May 2014. This allowed only 37 days (until applications opened) for the department to communicate the details of the process with the sector and for the sector to comprehend and consider the strategy of the department before a short window (35 days) in which to complete their application. The committee heard the information about the new grants process was delivered poorly, in a piecemeal and inconsistent fashion and that the bulk of information was released on and after the opening of the application process.¹⁰ The short timeframe that successful applicants had to negotiate their contract (20 days), coupled with the confidentiality clause in the contract also made it difficult for successful applicants to give due consideration to their offers.¹¹

2.10 The committee heard the tight timeframes of the tendering process were inconsistent with the government's stated objective of the reforms—to engender innovation and collaborative partnerships among service providers. Volunteering Victoria argued that it was:

...extremely difficult to research and design new projects for the innovative project grants in such a short period of time...It was also extremely difficult to develop workable collaborative partnership or formal consortium arrangements in the timeframe given. Much of this negotiation needed to be done after the event and some of these hasty 'in principle' agreements may not result in actual collaboration outcomes.¹²

9 Ms Noble, *Committee Hansard*, 21 April 2015, p. 62. – see <http://www.pc.gov.au/research/completed/competition-policy-review>

10 Senate Community Affairs References Committee, *Impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services, Interim report*, May 2015, pp 7–8, 19–22.

11 Senate Community Affairs References Committee, *Impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services, Interim report*, May 2015, pp 12–13.

12 Volunteering Victoria, *Submission 24*, p. 4.

2.11 Similarly, Sector Connect wrote in its submission that better notification of the funding parameters would have assisted service providers to develop partnerships.¹³ As it was:

The timeframe for the tender process was far too short to consider consortiums or partnerships. If there had been some prior warning about the funding being released and relevant parameters this could have provided space for a more innovative, collaborative approach. Members were too busy writing their own submissions and it was felt that it was an opportunity missed especially considering the amount of submissions that were received and culled out.¹⁴

2.12 Australian Council of Social Service (ACOSS) told the committee that the government's call for innovative ideas and thinking were not realistic in the context of the tendering process held last year. As Dr Goldie told the committee:

There were expressions of some incredulousness across the community sector. There were so many bids that came in, because people were being told, 'This is an opportunity for you.' People at program level were being told: 'This is a time for you to put your best thinking into it, to come to the table with your best innovative ideas. We're about transforming community services.' And yet in reality there was no way that there was room for that kind of approach. You could see it in the end if you were to look at the really vital, basic services like financial counselling and emergency relief. They are really key services. To then also present this as an innovation exercise—there was absolute uncertainty about exactly what the government was trying to bring in through this exercise.¹⁵

2.13 SYFS said that the sector already works collaboratively and that competitive tendering is actually not conducive to collaboration:

On a regional level we already work together. I believe that across the country services work together. I do not need the department to put it in a funding contract to work together with my colleague services and government departments in my area. I do not need that. We were doing it long before government wrote that into contracts, thank you very much. And it is contrary, again, to what you really want. You want everybody working together; you want cooperation. But what you do is you write it in a contract in the competitive tendering process and you in fact get the opposite.¹⁶

13 Sector Connect is the regional peak body for community services across Macarthur and Wingecarribee.

14 Sector Connect, *Submission 60*, p. 1.

15 Dr Cassandra Goldie, *Committee Hansard*, 21 April 2015, p. 51.

16 Ms Narelle Clay, Chief Executive Officer, Southern Youth and Family Services, *Committee Hansard*, 26 June 2015, p. 32.

The department's analysis of service needs

2.14 Several participants in the inquiry presented evidence highlighting the lack of consultation and analysis conducted by the department prior to the national roll-out of the new grants process. The issue of consultation was considered in the committee's interim report and this section therefore focuses on the analysis conducted by the department.¹⁷

2.15 A recurrent theme in the evidence is that the department had failed to identify service gaps, which would have informed the assessment of priority funding areas. Prior to the first funding round, the committee heard that the department had not conducted an analysis of service needs. Instead, the department's evidence-base for existing service needs and capability in the tender process appears to be based on historical data and was limited in its approach. According to a departmental representative:

...the department used the best evidence available—such as statistical area data and child disadvantage data—to identify priority locations against the objectives of the specific programs. Evidence sources included the Socio-Economic Index for Areas (SEIFA) score, high Australian early development scores and known service gaps.¹⁸

2.16 Catholic Social Services Australia (CSSA) expressed concern that this approach did not take into consideration:

- Modelling of future population changes and the impact on need for social support. For example internal and external migration patterns, including changes to community profiles as they respond to movements of people for work (particularly as a result of declining industry activity, or areas where new industries, including new mining operations, are emerging), retirement or community settlement in the case of refugees.
- Estimates of the true cost of service delivery to achieve the specific short, medium and long term program outcomes.¹⁹

2.17 Mr Chris Twomey, Director of Policy for the Western Australian Council of Social Service (WACOSS), told the committee that the department 'does not actually have the database and systems to provide that level of information' on the needs of different regions.²⁰

17 Senate Community Affairs References Committee, *Impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services, Interim report*, May 2015, pp 16–17.

18 Ms Barbara Bennett, Deputy Secretary, Families and Communities, Department of Social Services, *Committee Hansard*, 21 April 2015, p. 74.

19 Catholic Social Services Australia, *Submission 31*, p. 8.

20 Mr Twomey, *Committee Hansard*, 21 April 2015, p. 61.

Committee view

2.18 A market-based approach to service tendering does not necessarily result in better outcomes for the community sector. For example, peak organisations offer a unique service to the sector and to government and are not easily replaced.

2.19 A well designed tendering process should have taken into consideration the complex nature of the community services sector, including the relationship between peak bodies and their member organisations.

2.20 The timelines for the tender process were too short to allow for considered applications to be produced, let alone for innovative and collaborative projects to be designed.

2.21 There are many service providers who rely on grant funding to provide valuable services to people in our community. The funding is limited which makes it critical to target what is available to those who are most in need.

Loss of services resulting from the tender process and funding cuts

Emergence of service gaps

2.22 Submitters and witnesses said that, as a result of the funding cuts and the tendering process, a number of important services were defunded in 2014, leading to the loss of services in some locations and a loss of diversity within the sector. As Box 2.3 illustrates, many programs in Western Sydney have had their funding cut and have ceased operating. These include programs to address bullying in schools and settlement grant programs.

2.23 Karralika Programs is a residential and outreach drug treatment program based in the Australian Capital Territory (ACT) that was initially unsuccessful in the 2014 funding round.²¹ It expressed concern at the lack of clarity pertaining to arrangements for the continuation of this critical frontline service:

We provide a service for the most vulnerable and complex families in the ACT and the whole southern half of New South Wales. We are the only [organisation] that provides an integrated drug and alcohol family service that provides reunification for vulnerable and disadvantaged children with their parents.

We do know that as an outcome of this tender process there is no other organisation that has been funded to deliver this service for the whole of the southern half of New South Wales and the ACT. We are still unclear, after being given some transition funding, what our future is. We have nowhere to transition these families to. Correspondence between executives of different departments outlines that we cannot transfer these families to anywhere else. There are only six drug and alcohol integrated family programs in the whole of the eastern seaboard of Australia, and we are [the only] one in the area that I have just spoken about.

21 After presenting their evidence to the committee, Karralika was offered a funding agreement through the additional gap funding. – see <http://citynews.com.au/2015/zed-secures-federal-funding-for-drug-rehab/> (accessed 15 September 2015)

Not only was there nowhere within the tender application process to articulate that we were a critical front-line service or how we met those criteria, but there was no consideration given to the fact that, if we were unsuccessful, a long transition process would be required if there was another service that was going to be funded.²²

Emergency Relief funding (ER)

2.24 The committee heard that one of the grant funding areas most affected by the changes is ER. The department states that ER 'helps people deal with their immediate financial crisis situation in a way that maintains the dignity of the individual and encourages self-reliance'.²³ ER assists with purchasing food, essential household items, rent and utilities, and is provided by 300 community and charitable organisations.²⁴ The department argued that the ER program had remained 'untested' since the 1970s and as a result wanted to take it 'to market' to improve efficiencies.²⁵ In Western Australia this has resulted in a reduction of ER and financial management service providers from 100 down to 34, including a reduction of regional service providers from 32 down to nine.²⁶ See Box 2.1 for a case study on the provision of ER funding in Geraldton, Western Australia, as a result of funding decisions.

2.25 The committee heard numerous concerns about gaps in services covered by ER funding. Pivot Point Community Centre in Batemans Bay, who have provided ER since 1983 and are a volunteer-run organisation lost their funding and closed down in July as a result. They told the committee they believed their service has not been replaced and that their clients will go hungry.²⁷

2.26 A long-standing local service provider, the Parks Community Network (Parks), has received funding to continue to provide emergency relief services, alongside larger organisations, although it remains unclear whether these other larger organisations are actually delivering these services:

[Parks] has 12 paid staff and over 50 volunteers. Between 800 and 900 clients engage with Parks each week. Currently, no other organisation is providing emergency relief in Fairfield, despite other organisations being funded to do this. This is placing enormous stress on the staff and the

22 Mrs Camilla Rowland, Chief Executive Officer, Karralika Programs, *Committee Hansard*, 21 April 2015, p. 50.

23 Department of Social Services, *Emergency Relief*, July 2015, <https://www.dss.gov.au/our-responsibilities/communities-and-vulnerable-people/programs-services/emergency-relief> (accessed 10 August 2015).

24 Department of Social Services, *Emergency Relief*, July 2015, <https://www.dss.gov.au/our-responsibilities/communities-and-vulnerable-people/programs-services/emergency-relief> (accessed 10 August 2015).

25 Mr Evan Lewis, Group Manager, Multicultural, Settlement Services, Department of Social Services, *Committee Hansard*, 21 April 2015, p. 83.

26 Mr Twomey, *Committee Hansard*, 21 April 2015, p. 54.

27 Mr David Woodward, Treasurer, Pivot Point Community Centre, *Committee Hansard*, 26 June 2015, p. 35.

organisation at Parks and many individuals are not receiving help. There is nowhere to refer them to.²⁸

Box 2.1

Case study – Emergency relief funding – Geraldton, WA

The committee heard that the outcomes of the tender process have had a particular impact on the provision of emergency relief services in Geraldton, Western Australia.

Representatives from local providers, Chrysalis Support Services (Chrysalis), Geraldton Resource Centre (GRC) and Centacare Family Services (Centacare) told the committee that their organisations all applied to renew their funding to provide emergency relief services in Geraldton. Following the tender process, GRC lost \$115 050 and Chrysalis lost \$3500 in funding for emergency relief per year. Centacare applied for and was granted \$33 000 for emergency relief, the same amount it had received in previous years, based on its assumption that GRC would continue to receive its previous level of funding.

The committee heard that the largest emergency relief contract was granted to Mission Australia, an organisation with no experience in delivering services in Geraldton. Mission Australia then approached GRC and the Geraldton Regional Community Education Centre offering to subcontract the delivery of emergency relief funding in Geraldton, without offering any funding for administration. The local organisations expressed significant concern that larger external organisations had been granted funding without being able to deliver services. Ms Leeanne Robertson from GRC told the committee the decision to grant funding to Mission Australia was:

...a kick in the guts for my organisation to have an organisation who has never provided ER in our town, or ever, to come to the most experienced [service provider] like that.

Sister Mary Ryan from Centacare told the committee that as a result of the emergency relief cuts to GRC, demands on its services have significantly increased. In the first five months of 2015, Centacare turned away two thirds of people seeking emergency relief. Sister Ryan told the committee of the significant stress the increased demand was having on Centacare:

Because there is no-one else actually having that funding, and with the huge loss from GRC, we obviously are picking up everywhere else...Formerly we could refer to other places. Now we cannot. The stress level is absolutely horrendous...It is becoming unsustainable in terms of staff wellbeing and managing our other services.

The committee heard that Centacare had expressed its concerns about the funding gaps in Geraldton to the department, but that no additional funding was provided as part of the June announcement to address service gaps.

Source: Ms Alison Adam, (CEO, Chrysalis Support Services), Ms Leeanne Robertson (Corporate Manager, Geraldton Resource Centre), Sister Mary Ryan (Director, Roman Catholic Bishop of Geraldton Centacare Family Services) and Ms Jennifer Allen (Director, Geraldton Regional Community Education Centre), Committee Hansard, Canberra, 26 June 2015, pp 45–55.

Wrap-around service

2.27 In addition to 'testing' the value for money, the department explained that the new grants process has sought to establish 'wrap-around services' where ER is one part of a holistic service rather than simply stand-alone²⁹:

...the changes made to emergency relief, if we go back a little, are that since the 1970s it has traditionally been a small provision of additionality, a basket of goods or a voucher...but we were broadly looking for organisations that could assist in early intervention ...offering support as early as possible in situations of financial stress and crisis, consumer-centred and wrap around, placing vulnerable people and families in a service and looking at whatever services they might need other than that small parcel. Do they need financial counselling? Do they need a low-interest loan?³⁰

2.28 It is unclear to the committee whether there has been an increase in wrap-around service for service users or if similar services are being provided. Some small organisations that lost their ER funding said that the ER they provided was part of a wrap-around service they offered clients.³¹

2.29 Chesterhill Neighbourhood Centre, who lost ER funding that formed part of their wrap-around service, told the committee their clients would have to travel further to receive the same assistance from another provider.³² Travellers Aid Australia advised similarly that defunding its travel-related ER has meant a loss of wrap-around service to those clients. They explained that without this service clients lack access to the other services they need and therefore wrap-around support is lost.³³

2.30 Other wrap-around services also appear to have been lost. Western Australian Association for Mental Health submitted that wrap-around services are not achievable if funding for its Partners in Recovery program is discontinued.³⁴

Housing and Homelessness program

2.31 The committee notes that cuts have not only been made within each of the broad-banded program areas but the entire Housing and Homelessness program was also cut well into the tendering process.³⁵ The department told the committee that the

29 A wrap-around service is an individualised service delivery approach that addresses the complex needs of an individual in a holistic manner. For example, a service user may need ER such as a food parcel but they may also need financial counselling or domestic violence support to ensure their complex needs are met.

30 Ms Bennett, *Committee Hansard*, 26 June 2015, p. 10.

31 Ms Donadel, *Committee Hansard*, 3 July 2015, p. 15; Ms Leeanne Robertson, Corporate Manager, Geraldton Resource Centre Inc. *Committee Hansard*, 26 June, p. 45.

32 Chesterhill Neighbourhood Centre, *Submission 47*, p. 1.

33 Travellers Aid Australia, *Submission 38*, p. 3.

34 Western Australian Association for Mental Health, *Submission 37*, p. 6.

35 See Appendix 3 for statistics on the funding round.

decision to not proceed with the program was made in the 'context of the Mid-year Economic and Fiscal Outlook (MYEFO)' to cut a further \$30 million from grants.³⁶

2.32 On 22 December 2014 the department announced the decision not to proceed with funding for the Housing and Homelessness program.³⁷ This occurred five months after accepting 216 funding applications. Applicants expressed frustration that the significant resources diverted to writing grant applications that identified areas of need, resources and improvement opportunities were wasted as a result of the decision not to proceed with this program. Illawarra Forum, a peak organisation, said:

This announcement not only effectively cut an [additional] \$20.1 million from the 2015/16 funding pool, but also meant that management and staff in community organisations had wasted time and effort in preparing and submitting their applications.³⁸

Regional Impacts

2.33 The committee sought to understand if the department used a regional lens when mapping service needs and during the decision-making process on the applications. In this regard the committee held hearings with service providers across three particular regions to gain indicative evidence of any regional impacts as a result of the tender process.

2.34 The committee heard that the department did not consult with the sector on a regional level regarding service needs prior to tendering. As a result, services gaps are emerging across particular regions. The Illawarra Forum told the committee:

We are certainly not aware of anyone in the department taking any interest in the impact in the Illawarra. We have not been approached in any way.³⁹

...

From our consultations in the preparation of our submission and then before we came today, we have a very good idea of the impact of the losses. It is not about the loss of funding to organisations; it is about the impact on long-term relationships—of having great understandings of referral networks, of really understanding who in the region is able to deliver something to support a client. The ability to wraparound a client happens because organisations know what each other does and respects their skills in the service delivery of that type. I think that that has been fragmented, particularly because of that lack of awareness of who actually received a contract. People are still reporting that.⁴⁰

36 Department of Social Services, answer to question on notice, (received 7 May 2015)

37 Community Housing Federation of Australia, *Submission 81*, p. 2.

38 Illawarra Forum, *Submission 42*, p. 6.

39 Ms Nicky Sloan, Chief Executive Officer, Illawarra Forum, *Committee Hansard*, 26 June 2015, p. 39.

40 Ms Sloan, *Committee Hansard*, 26 June 2015, p. 39.

2.35 It appears that services are thinly spread across particular regions, resulting in less service providers and greater distances for service users to travel to receive assistance. Illawarra Forum said in their submission that the number of providers of Emergency Relief in the area has been reduced from seven to five, but it is not clear if the amount of emergency relief available will be reduced:

...many people in need will no longer be able to access emergency relief in their own area, but will be forced to travel to access support. In a region which is plagued by inadequate public transport, this will no doubt force people into situations of greater distress.⁴¹

2.36 Chesterhill Neighbourhood Centre, as outlined earlier, told the committee that its old clients will also now have to travel further to receive assistance and that this is problematic because they often cannot afford the bus or train fare.⁴²

2.37 In the Illawarra region funding for financial counselling services appears to be patchy. The committee heard that of the three municipalities that should be covered by the new service provider, only one has been announced by them as an area they will service. Further to this, that service provider is new to the region and will need to get established. The local, unsuccessful applicant who is still operating in the region but at a reduced capacity told the committee that this has put more pressure on their services.⁴³

2.38 WACOSS also expressed concern to the committee that the department was asking organisations to provide services in regions where they did not have a footprint, and without providing the organisations with a clear picture as to the services and needs in those regions.⁴⁴ The committee heard that this was the case in Geraldton, Western Australia, with a successful large service provider, Mission Australia, seeking to make subcontracting arrangements with a local provider to deliver ER. The committee heard from three local service providers who had lost their funding and a fourth who had received their requested amount and that Mission Australia first approached the Geraldton Regional Community Education Centre (GRCEC), who has no experience delivering ER. See Box 2.1 for more detail about ER funding in Geraldton.

Service gap funding

2.39 The government has sought to address some of the service gaps that have emerged with additional funding. After initial funding offers were made, the department undertook a gap analysis, focussing on frontline services.⁴⁵ As a result, the

41 Illawarra Forum, *Submission 42*, p. 5.

42 Chesterhill Neighbourhood Centre, *Submission 47*, p. 1.

43 Mr Maroun Germanos, Team Leader, Financial Counselling Service, Illawarra Legal Centre, *Committee Hansard*, 26 June 2015, p. 34.

44 Mr Twomey, *Committee Hansard*, 21 April 2015, p. 54.

45 The department provided the criteria used for the gap analysis:

Minister announced \$1.7 million in additional funding allocated specifically for gaps in ER⁴⁶ during the transitional period and a further \$40 million for gaps in frontline services.⁴⁷

2.40 The department explained:

We did an analysis of any changes in the footprint that occurred as a consequence of the grants funding round. We also talked to our grant agreement managers, looked at the ministerial correspondence that we were receiving and then made recommendations to the minister.⁴⁸

2.41 In relation to ER, the department elaborated:

...We identified 36 SA4 locations.⁴⁹ Those gaps can be summarised as arising because 19 organisations did not apply for funding. Twelve organisations that did apply were unsuccessful. Four organisations have subsequently closed or ceased, and one organisation rejected funding. They were the high-level reasons for the gaps. The \$1.7 million was provided to 20 existing organisations, which enabled them to expand their services to cover those gaps.⁵⁰

The focus of the analysis was to identify where service gaps have emerged as a result of withdrawal of funding to a particular geographic location or there are no like services where existing clients can be referred (including those provided through other Commonwealth programmes or by state and territory governments).

Analysis of service gaps was made using:

- Mapping of existing service coverage.
- The policy objectives of each activity.
- Metrics on the applications received in the 2014 selection processes.
- Service challenges highlighted through discussions with service providers.
- Local knowledge and advice provided by the Department's state and territory offices.
- Assessment of the impact and consequences of redesign of some programmes.
- Weighing of treatment options, including cost analysis.

Answer to written question on notice, 7 May 2015 (received 22 May 2015).

46 The Hon. Scott Morrison, Minister for Social Services, 'Coalition Government provides further \$1.7 million for Emergency Relief The Department of Social Services', Media Release 1 April 2015, <http://scottmorrison.dss.gov.au/media-releases/coalition-government-provides-further-17-million-for-emergency-relief> (accessed 15 July 2015)

47 The Hon. Scott Morrison, Minister for Social Services, 'Abbott Government invests further \$40 million to address gaps in frontline community services', Media Release 10 June 2015, <http://scottmorrison.dss.gov.au/media-releases/abbott-government-invests-further-40-million-to-address-gaps-in-frontline-community-services> (accessed 15 July 2015)

48 Ms Lara Purdy, Branch Manager, Financial Wellbeing and Children's Policy, Department of Social Services, *Committee Hansard*, 26 June 2015, p. 11.

49 'SA4 location' refers to the Statistical Area region. Service areas were mapped by the department into standardised regional boundaries based on the Australian Bureau of Statistics model of statistical area profiling. This was a new approach to service area mapping.

50 Ms Christine Bruce, Branch Manager, Program Design and Policy, Department of Social Services, *Committee Hansard*, 26 June 2015, p. 12.

2.42 The department could not advise the committee when all service gaps will be identified:

That is an ongoing source of information. It is not a point in time of doing something. The organisations are being funded and are providing these services now. That is the point: the contracts are in place.⁵¹

2.43 CSSA said the department's mapping of service gaps after funding was allocated suggests a lack of capacity to identify and manage risk and unintended consequences throughout the process.⁵²

Committee View

2.44 The committee is concerned about the loss of services in areas around Australia, particularly in housing and homelessness and ER. The committee notes witnesses' concerns that service gaps had not been fully identified and addressed. It is not clear to the committee that the department, in their analysis of service needs, considered service delivery at a regional level.

2.45 The committee considers there is merit in publishing the department's analysis of service delivery gaps. Publishing the analysis would increase transparency and enable informed discussion of how to best target the limited grants funding.

Recommendation 1

2.46 The committee recommends that the Department of Social Services publish its recent analysis of service delivery gaps, to promote transparency and to encourage informed discussion of a strategy that ensures vulnerable people are properly supported right across Australia with no gaps.

Recommendation 2

2.47 The committee recommends that future tendering processes should be planned strategically, with a clear sense of the service gaps and areas of geographic need, and be based on an assessment of how the tendering process would enhance the capacity of the sector to meet these needs. The committee acknowledges that in some circumstances, competitive tendering processes may not meet the needs of the community sector, and recommends the adoption of alternative processes to ensure there are no gaps in service provision in the future.

The consequences of greater centralisation of services

Loss of small, community-based organisations

2.48 Submitters and witnesses questioned whether the department intended to use the grants process to reduce the number of service providers, and increase the scope

51 Ms Bennett, *Committee Hansard*, 26 June 2015, p. 18.

52 Catholic Social Services Australia, *Submission 31*, p. 19.

and range of services provided by the successful grants applicants.⁵³ As part of a competitive process, where larger providers have the ability to deliver efficiencies through economies of scale, it was suggested that the department favoured larger organisations. Box 2.2 outlines the value of local organisations to their communities. Box 2.3 provides a case study on small organisations in Western Sydney.

2.49 WACOSS told the committee:

One of the things that fairly clearly seems to have been achieved and probably intended in this process is that we have seen a dramatic reduction in the number of providers and a scaling-up of the services. But that has not been made explicit, and so it has not given smaller providers the opportunity to understand what was coming and work with each other and negotiate about how they might partner up or subcontract. In Western Australia, just in the emergency relief and financial management service, we have seen a reduction from 100 providers down to 34, including a reduction from 32 regional providers down to nine regional services...⁵⁴

2.50 A large number of submitters and witnesses argued that the tender process has resulted in the loss of smaller community-based services and the diversity of service provision.⁵⁵ A representative from the Illawarra Forum said:

There is a strong sense amongst community organisations that the DSS [Department of Social Services] grant program was in fact a form of systemic discrimination which favoured large charities and large organisations and disadvantaged small local providers... For many, it has been seen as a process to remove small providers with long histories of service provision, despite the fact that there had been no performance management or contractual issues at all.⁵⁶

2.51 Volunteering Victoria gave the example of a Queensland-based service provider that won a tender over an established local provider to deliver services in Tasmania:

One of the objectives of the new model was to provide 'a foundation for integrated, community-led program delivery that understands and meets local needs' (section 1.2 of the Guidelines Overview). However, we were dismayed to hear that in Tasmania a Queensland-based service provider was successful in displacing an established VSO [Volunteer Service Organisation] with strong community connections. We understand this provider has plans to expand to other parts of the country, which is also a potential threat to future funding for other existing place-based VSOs. This

53 This claim was refuted by the department in an answer to a question on notice, 7 May 2015 (received 22 May 2015).

54 Mr Twomey, *Committee Hansard*, 21 April 2015, p. 54.

55 See Anglicare Australia, *Submission 46*, p. 7; Fairfield City Council, *Submission 54*, Community Organisations from the Fairfield Local Government Area, *Submission 55*, Illawarra Forum, *Submission 42*; Shelter WA, *Submission 56*.

56 Ms Sloan, *Committee Hansard*, 26 June 2015, p. 31.

outcome is at odds with the Government's stated objective and fails to recognise the value of the knowledge and connections that existing service providers have built up over many years of serving their local communities.⁵⁷

Box 2.2

The value of small, community-based organisations

Ms Susan Gibbeson, Manager of Social Development, Fairfield City Council, articulated to the committee the value of local organisations:

The impact of the loss of funding to local organisations in Fairfield include loss of services, loss of local jobs, erosion of sustainability and viability of local organisations, closure of offices, resulting in less access for residents to services, and less participation in civil society by local people on management committees. Also, local organisations attract local volunteers. Organisations often provide a pathway from being a client to putting back into the community. Most importantly, the loss of funding to ethno-specific groups in Fairfield impacts cultural connections. These ethno-specific groups are centres for the community and are the only advocates for that community. They are known and trusted. There are no other advocacy organisations for these groups, and governments rely on these organisations when they need to speak with this community. The place and role these organisations hold in their communities cannot be replaced by a generic service provider. Fairfield residents do not want to be passive recipients of social services. They demonstrate their desire to set up and participate in local organisations that make local decisions for the community they live in. These organisations are more than service providers; they are part of the community. The loss of funding, and the loss of direct funding, threaten the viability of many organisations and weaken the resilience of this community. It has caused confusion and resulted in services and support not being available to individuals in most need.

Source: Ms Susan Gibbeson, Committee Hansard, 3 July 2015, p. 2.

2.52 The committee also heard that smaller organisations were being disproportionately affected by the tender process. ACT Council of Social Service, for example, explained the value of grants where the funding makes a significant difference in the community:

... [The funding cut] was so huge—\$270 million across the country for organisations, some of which...are in tiny little communities in remote areas of Western Australia getting small amounts of money that made an enormous difference in those communities. That amount of money is transformative when it comes out.⁵⁸

⁵⁷ Volunteering Victoria, *Submission 24*, p. 6.

⁵⁸ Ms Susan Heylar, Director, ACT Council of Social Service, *Committee Hansard*, 21 April 2015, p. 52.

2.53 Community service organisations expressed unease that the process did not address the disadvantages that smaller organisations may have in preparing well-crafted applications. Ms Susan Gibbeson, Manager Social Development, Fairfield City Council argued the following point:

The smaller organisations, the local organisations, have less capacity to do policy work. On the whole, they cannot afford to have people whose job it is to research and write applications... Their skill is in helping people and supporting people. But they probably do not have the same level of skill and capacity to write the level of applications that bureaucrats...like.⁵⁹

2.54 Multicultural NSW concurred:

Even if English is not the first language and if there is no familiarity with the processes, sometimes in those submissions all of the information is there and there would be the capacity to acquit a grant successfully. But, being a bureaucrat myself and having assessed applications for various things, if you are faced with hundreds of them, unconsciously you are going to favour the ones that make it easy for you to see the information up-front. That is human nature in a way. The assessment of applications and the capacity to complete the applications are, I think, systemic problems.⁶⁰

2.55 Multicultural NSW observed the disconnect between the process and desirable outcomes:

...the capacity to complete a grant application, to acquit it and to have sound financial management, et cetera, is not necessarily a strong indicator of the right kind of outcomes for individuals and communities.⁶¹

2.56 Submitters voiced their concerns about the department's decision-making process. Illawarra Legal Centre told the committee:

The selection of successful applicants I think was based on paper rather than on the experience, the community roots or the history of the organisations that applied. Our organisation, like other organisations, had a network established and had experienced workers that we have lost or will lose.⁶²

2.57 The department told the committee that they deliberately limited information given to applicants to ensure probity.⁶³ The department also said clarification of applicants was not sought from the applicants when assessing their applications:

To ensure fairness and transparency to all applicants, the Department did not seek clarification of applications during the assessment process.⁶⁴

59 Ms Gibbeson, *Committee Hansard*, 3 July 2015, p. 5.

60 Ms Steffanie von Helle, Director, Policy and Community Relations, Multicultural New South Wales, *Committee Hansard*, 3 July 2015, pp 16–17.

61 Ms von Helle, *Committee Hansard*, 3 July 2015, p. 16.

62 Mr Maroun Germanos, Team Leader, Financial Counselling Service, Illawarra Legal Centre, *Committee Hansard*, 26 June 2015, p. 40.

63 Ms Bennett, *Committee Hansard*, 26 June 2015, p. 9.

2.58 Further, state offices were not involved in assessing grant applications, with their role limited to 'providing specific locational service delivery and organisational advice on issues pertaining to their respective states/territories including through Expert Panel arrangements'.⁶⁵ This meant local expertise on the effectiveness of services could not be adequately included in decision making.

2.59 Submitters and witnesses expressed concern that larger organisations would not have the same access to local volunteers, connection to local support services and the ability to leverage off local goodwill.⁶⁶ Mr David Thompson, Chief Executive Officer of Jobs Australia, summarised:

I do not think there is enough appreciation of the need to have infrastructure in communities that is in the form of viable and effective community services organisations that can respond to these processes. I am not for a minute suggesting we should go back to a nostalgic past where there are tiny, little community services organisations all over the shop, but I do think we need to watch it, because we could end up losing them. An example of one of the things that I think we do risk losing is the enormous volunteer support that comes with organisations that are respected and known as being part of communities, not just another government service provider.⁶⁷

2.60 Illawarra Forum gave an example of the value of small, community-based service providers:

...a very small emergency relief provider in our region ... received a very small amount of money but they had such a close connection with their community that they leveraged across that from different service organisations, local businesses and goodwill from the community and they were able to develop so much more product that they were able to give. So it was not just emergency relief... that small organisation got a small amount of emergency relief but they were able to deliver real value to their community for that—and that is lost.⁶⁸

2.61 Dads in Distress Support Services also expressed concern that social capital is lost when programs run by volunteers are no longer supported:

These types of programs are essential for developing social capital in the community and for engaging vulnerable communities that have a high level

64 The Department of Social Services, answer to question on notice, 7 May 2015 (received 22 May 2015). Their own external review would later suggest that this needn't have been 'black and white' – see paragraph 2.88 of this report.

65 The Department of Social Services, answer to question on notice, 7 May 2015 (received 22 May 2015)

66 Sector Connect, *Submission 60*, p. 3.

67 Mr David Thompson, CEO, Jobs Australia, *Committee Hansard*, 21 April 2015, p. 24.

68 Ms Sloan, *Committee Hansard*, 26 June 2015, p. 39.

of distrust of the standard professional services (separated parents being one of those groups).⁶⁹

2.62 Chester Hill Neighbourhood Centre said that the large organisations who won the contracts do not have the same level of knowledge of local services to be able to refer clients to other services in the area.⁷⁰ A view that was supported by Whittlesea Community Connections:

We are concerned that the links and networks of trust that have been established amongst many organisations working together in particular regions has been eroded by the DSS approach to the funding of community services. Expertise and knowledge gathered over many years of service delivery, some of it highly responsive and innovative, have been sacrificed in the interest of making savings and reducing the work-load of the DSS. In some cases new providers, some with limited connection to the areas in which they intend to provide services, have been preferred over those with strong performance credentials, strong community connections and a strong track-record of accountability.⁷¹

2.63 Fairfield City Council suggested that there is a need for strategies that equalise the application process and, in particular, assist smaller organisations to make funding grant applications:

In the next funding round, we would like to see strategies to create a level playing field between local community organisations and the large organisations and consortiums. These strategies might include more support to complete the applications, including the provision of people who can answer questions and explain the process, as well as the provision of examples of previously successful applications. Local partners, intended to deliver services on behalf of large organisations, should be secured prior to submissions being made. Financial support to local partners must be equitable and provide some funding for staffing and administration of the service being delivered. The Commonwealth needs to retain responsibility for governance in this matter. The assessment criteria should include the indirect benefit to the community in terms of participation of local people in management, governance and decision making.⁷²

Subcontracting services

2.64 The committee was interested in whether the large organisations that were successful in last year's tendering round have subcontracted work. In particular, whether state-wide service providers—who may not have offices in regional towns—have made subcontracting arrangements for service delivery in regional and remote

69 Dads in Distress Support Services, *Submission 39*, pp 2–3.

70 Ms Dale Donadel, Manager, Chester Hill Neighbourhood Centre, *Committee Hansard*, 3 July 2015, p. 15.

71 Whittlesea Community Connections, *Submission 57*, p. 6.

72 Ms Susan Gibbeson, Manager Social Development, Fairfield City Council, *Committee Hansard*, 3 July 2015, p. 3.

areas. See Box 2.1 for consideration of this in the case of Mission Australia in Geraldton, Western Australia.

2.65 Whittlesea Community Connections submitted that, after attending one of the information sessions run by the department, it came away with a clear sense of what the department was promoting:

What was clear however was that the Department had reached a conclusion that the model for the funded-community-services sector should be one that consists of larger organisations. Smaller, independent and place-based agencies seemed to be 'earmarked' for being phased out, unless of course they were prepared to take-up sub-contracts under the auspice of larger agencies. ... However, collaboration and partnership were well pushed during these sessions with the implication that smaller organisations would best partner within consortia or establish sub-contracting arrangements with larger agencies.⁷³

2.66 Fairfield City Council said there is a perception that the process supports that goal:

While some funding has been given to local organisations, the process has been intrinsically biased towards large organisations, many of whom have no current connections to the local community. Some of the organisations being approached to be partners with large organisations were previously funded to deliver the service. The question must be asked: why were the small local organisations not funded directly from DSS?⁷⁴

2.67 The committee heard that the Salvation Army were contacted by the department to provide ER to 10 Northern Queensland Aboriginal and Torres Strait Islander communities, services for which the Salvation Army did not apply for grant funding and for which it will need to establish connections in some of those areas. The Salvation Army is in the process of arranging subcontracts for these services.⁷⁵ The Salvation Army acknowledged⁷⁶ that in general, subcontracting is causing division in some of these communities.

73 Whittlesea Community Connections, *Submission 57*, pp 3–4.

74 Ms Gibbeson, *Committee Hansard*, 3 July 2015, p. 2.

75 Ms Ronda McIntyre, Territorial Community Services/Doorways Co-ordinator, The Salvation Army, *Committee Hansard*, 3 July 2015, p. 25 and answer to question on notice, 3 July 2015 (received 27 July 2015).

76 Ms McIntyre, *Committee Hansard*, 3 July 2015, p. 24.

2.68 Whilst some submitters and witnesses said subcontracting can be mutually beneficial,⁷⁷ others drew attention to the potential negative impacts—such as inequity and lack of transparency.⁷⁸ Fairfield City Council told the committee:

Currently, there appears to be a significant level of funding being devolved from the large organisations which receive grants to local community organisations. In the devolved model, there is less transparency, equity, access and fairness as decisions are not subject to the same scrutiny as decision making in the public sector. There is no transparency on the service levels or level of funding that would be provided to any individual area through devolution. There is no clear process for how local partners are selected. The equity of the agreements between the large funded organisations and the local partner or community organisations is not clear or consistent. The devolved model also results in a delay in the time it takes for funds to reach the frontline service provider, more layers of bureaucracy for the service provider, decisions being made a long way from the community and cost shifting. It appears the Commonwealth has made savings and the subcontractor, or the local community organisation, has less funds for organisational support.⁷⁹

2.69 Family and Relationship Services Australia expressed concern that the criteria the department places on those who apply in collaboration with other organisations is restrictive:

DSS also advised that organisations could apply for multiple activities; however, they could only apply for most activities once. With regard to sub-contracting and consortium arrangements, a lead was required and it was not possible for the same agency to apply as a consortium member and single entity for the same sub-activity in the same location. Adopting a more flexible approach to consortia and sub-contracting arrangements would be one way of fostering collaborative practice. Currently, applicants must decide whether to apply as one or the other and are forced to put 'all their eggs in one basket'.⁸⁰

77 WACOSS, *Submission 68*, p. 7.

78 The general grant conditions related to subcontracting are:

- You remain responsible for compliance with this Agreement, including in relation to any tasks undertaken by subcontractors.
- You agree to make available to us the details of any of your subcontractors engaged to perform any tasks in relation to this Agreement upon request.
- You must ensure any subcontract entered into for the purposes of this Agreement is consistent with your obligations binding on you under this Agreement.

Department of Social Services, 'Application pack for ER', answer to question on notice, 26 February 2015, (received 7 April 2015)

79 Ms Gibbeson, *Committee Hansard*, 3 July 2015, p. 2.

80 Family and Relationship Services Australia, *Submission 59*, p. 5

2.70 When asked at the committee's last Canberra hearing if larger organisations without regional offices have started to provide local services, the department advised that this is location dependent:

We are aware that in some regions where there is a large service provider they have entered or are entering into some subcontracting arrangements with smaller service providers. Some service providers are also providing vouchers by express post following telephone conversations with clients, who have requested assistance. There is a range of arrangements in place.⁸¹

Committee view

2.71 The committee shares the views expressed in the evidence that it is important to maintain a vibrant and diverse community sector with specialist skills and local knowledge. These skills and knowledge are often developed in response to identified need among service users and are difficult to replace once lost. Small, community-based organisations capitalise on local knowledge and goodwill. Future tendering rounds should accurately value the role of local service providers in this regard.

2.72 The committee is concerned that the current process is weighted in favour of larger organisations. The committee considers that the process should have taken better account of the resources available to smaller organisations in making applications for grant funding and the outcomes achieved in the community with that funding. This should be addressed in future funding rounds.

2.73 The committee sees a need for greater transparency and accountability in subcontracting and consortium arrangements. The committee is concerned to ensure that subcontracts do not contain less favourable terms or offer less administration funding when small, community-based organisations that were not successful in a grant application are subsequently subcontracted to provide the services covered by that application.

2.74 The committee is concerned that subcontracting arrangements transfer the administrative burden from the government to community based organisations.

Recommendation 3

2.75 The committee recommends that the selection criteria for future tender rounds should consider a mechanism such as a weighting on the contribution small, community-based organisations provide to their community beyond the service they are directly funded to provide.

Recommendation 4

2.76 The committee recommends that the Department of Social Services ensure that if organisations are not awarded a grant, any subcontract or consortium arrangement offered for the same service must be on comparable terms to those which would have been offered in a funding agreement.

81 Ms Purdy, *Committee Hansard*, 26 June 2015, p. 17.

Box 2.3: Western Sydney Case Study—Grants in the Fairfield LGA

During its Sydney hearing, the committee received evidence about the Fairfield LGA and its predominantly CALD communities from the Manager of Social Development at the Fairfield City Council, Ms Susan Gibbeson:

The Fairfield LGA is in south-western Sydney between Parramatta and Liverpool. According to the SEIFA index, we are the most disadvantaged area in Sydney. We are the third most disadvantaged area in New South Wales. Fairfield is high in need of support in social services. Fairfield has a long history of being the preferred place of initial settlement in New South Wales for migrants and refugees. We took 38 per cent of the state's refugees last year. In Fairfield, only 9.6% of the population identified as having Australian ancestry compared to 25.7% of people in the Sydney area. So it is a very high migrant area. About 20 per cent of our population does not speak English very well and about 30 per cent speak only English. (*Committee Hansard*, 3 July 2015, p. 2).

Ms Gibbeson spoke about the importance of local service providers delivering support to these vulnerable CALD communities:

There are well established groups to have emerged in the community. These people are connected by their culture and supported by people from those cultures. This is a community supporting itself with assistance from government. Hundreds of community organisations in Fairfield provide a strong network of soft infrastructure, create a web of support for individuals and contribute significantly to the resilience of the area. Many organisations relate to specific ethnicities and support people from those sections of the community. Some are organisations centred on specific places and support all the people in those areas. Overall, these organisations are local. They are part of the community; they are run by the community. The organisations run efficient and appropriate services to the community. People know them, people trust them and people support them. (*Committee Hansard*, 3 July 2015, p. 2.)

With the removal of funding for many of these smaller service providers—largely volunteer organisations—many successful programs appear to have ceased altogether despite larger organisations being funded to continue them. For example, Community First Step (CFS) has previously provided children's, disability and community services in the Fairfield area for over 30 years. CFS has one full-time staff member and up to 77 volunteers assisting with the delivery of programs ranging from 'breakfast club' for schoolkids, anti-bullying programs, and culturally appropriate extracurricular activities. Many of these 'programs have now ceased due to a lack of funding'. (*Committee Hansard*, 3 July 2015, p. 1.)

Ms Tan Thi Nguyen of the service provider, Vietnamese Community in Australia, noted the impact of the loss of funding on her own paid position, in effect, forcing her to become an unpaid volunteer:

At the moment I am a volunteer. Yesterday a lot of Vietnamese people came with domestic violence issues and I referred them to the police. One lady said that her husband used drugs. Who was going to help her if I had not come to the office to volunteer yesterday? A man said that he could not speak English—nothing at all—and that he felt dirty because for four days he had no hot water to take a shower. He, his grandchild and his daughter could not take a shower for four days. He said, 'This is Australia and I cannot take a shower. I have no gas at all, and I cannot speak English and I can't get help. You said the office will be closed soon. Then where can I get help from?' (Tabled Document, *Vietnamese Community in Australia*)

Box 2.3 (continued): Western Sydney Case Study—Grants in the Fairfield LGA

The NSW Spanish and Latin American Association (NSWSLAA) have had two programs previously provided in the Fairfield area defunded—the Settlement Grants Program (SGP) and the Aged Care Service Improvement and Healthy Ageing Grants (ACSIHAG). In regard to the SGP, the NSWSLAA highlighted the importance of appropriate and timely settlement services to ensure that new migrants are able to integrate into their new communities:

There is an increase in the number of clients presenting who are suffering from mental health, their language barrier, social isolation, and cultural adjustment will mean that they are more vulnerable...and more likely not to access services.

- Language is a major barrier that prevents Spanish speaking new arrivals from utilising services
- Social isolation may increase as the result of difficulties in acculturation, broken social networks, discrimination and racism, socio-economic restrictions, and due to the stigma often attached to 'mental illness'. (Tabled Document, *NSW Spanish and Latin American Association*)

NSWSLAA also raised the importance of the ACSIHAG project in 'reducing social and emotional isolation' and fostering communication and interaction with others' to 'promote mental and physical wellbeing'. Despite the project's value, NSWSLAA noted that of the '26 organisations who received ACSIHAG funding in 2012–15, none received funding in this latest round. All of these organisations claim to have addressed the necessary selection criteria...rais[ing] concerns about access and equity for CALD communities'. (Tabled Document, *NSW Spanish and Latin American Association*)

FECCA expressed concern that larger, mainstream providers 'may not have appropriate cultural understanding or language services'. (*Submission 41*, p. 3) Great Lakes Agency for Peace and Development International talked about the ability of niche providers in this respect:

I think that is why community organisations are important—responding to people's needs with respect to their language, their culture, and their understanding of the program, which we are going to lose over time if those small organisations are not being funded to run such services. And then you could see more social isolation and loss of jobs and indirect connections, even the volunteers. Normally those are the people who give back information to their communities. They are the people who organise services in the communities. (*Committee Hansard*, 3 July 2015, p. 10.)

Mr Carlos Encina from Fairfield City Council reported that larger organisations have offered to supply their expertise in funding applications to smaller community-based and volunteer organisations, in return for a fee:

The other thing as to big consortiums is: we have the situation here in Fairfield where a few community organisations were approached by one of the big consortiums; they offered help to write the submission to get funding and everything, but they have to pay a percentage if they get the grant. They have to pay seven per cent of the grant they get to this consortium if they assist them. So, as to going into partnership with a big consortium, there is not much trust there when we see a situation like this where we have to give part of our funding to other people to assist us. (*Committee Hansard*, 3 July 2015, p. 8.)

Impacts on service users and providers

The transition period

2.77 The committee sought more information regarding the continuity of service provision while new providers are being established. Four months after services were supposed to begin operating, the committee heard there was still a lot of uncertainty in this area:

At this stage it is still unclear as to what organisations are funded to work in Fairfield, who will be delivering which services on the ground, what services will be available and where people can be referred to for services.⁸²

2.78 Box 2.1 illustrates that ER services in Geraldton, Western Australia have been strained during the transition period.

2.79 The department has an online service directory that they have said is updated weekly⁸³, however, they could not assure the committee that there has been a smooth transition in service delivery:

We have [been] asked, 'Where's the shopfront?' But a shopfront may not be delivery for [the service provider]. They have three months to advise us and that information is coming in now.⁸⁴

2.80 Evidence suggests that some of this delay is due to the finalisation of subcontracting arrangements and the reliance of some service providers on gap funding.⁸⁵ However, a lack of information on service provision could be the result of an unidentified or unfunded gap.

2.81 The confidentiality clause in the grant contracts also hampered the transition period by making it difficult for old service providers to know who to refer their clients to. This is discussed in greater detail in the committee's interim report.⁸⁶

82 Ms Gibbeson, *Committee Hansard*, 3 July 2015, p. 2.

83 Ms Bennett, *Committee Hansard*, 26 June 2015, p. 18.

84 Ms Bennett, *Committee Hansard*, 26 June 2015, p. 18.

85 Ms McIntyre, *Committee Hansard*, 3 July 2015, p. 21, 23.

86 Senate Community Affairs References Committee, *Impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services, Interim report*, May 2015, pp 13–14.

2.82 The committee heard that the transition period was tumultuous for service providers, characterised by a lack of uncertainty punctuated by the multiple short-funding extensions.⁸⁷ Mr David Woodward of the Pivot Point Community Centre in Batemans Bay said:

Unfortunately in the last funding round our funding ran out in June 2014. The Department of Social Services did not know what to do, so they gave us six months more funding. At the end of six months, which took us to December, they still did not know what to do and gave us two months more of funding. At the end of February 2015, they said, 'Sorry, you have lost your funding. Here is another one month's funding because we are really nice people.' We managed to keep running until the end of June. We are closing down next Tuesday.⁸⁸

2.83 Illawarra Forum said:

One of our members stated 'DSS has been providing monthly transitional funding to some services to keep them open while grant decisions are made. This transitional process is highly disruptive to staff, clients and managers. Services need clear transitional plans and funding security.'⁸⁹

2.84 ACOSS told the committee that the transitional funding offered by the government that was meant to ameliorate the pressure on the sector, in fact continued to undermine the capacity of providers to deliver services:

So, on the one hand, we saw government hearing some of the really clear messages from the sector about the failure to provide transitional funding really undermining their capacity to look after their clients as well as their

87 In a question on notice the department identified where bridging funding was allocated:

Bridging funding was offered to organisations delivering critical front line services within the following activities:

- a. Emergency Relief
- b. Food Relief
- c. Communities for Children Direct
- d. Family and Relationship Services for Humanitarian Entrants
- e. Kids in Focus
- f. Specialist Family Violence
- g. Commonwealth Financial Counselling
- h. Money Management Services
- i. Family Mental Health Support Services
- j. Settlement Grants*
- k. Community Development and Participation/Community Capacity Building*

*Note: not all activities were considered to be critical services.

The Department of Social Services, answer to written question on notice, Additional Estimates 2014–15, question number SQ15-000204 (received 9 September 2015)

88 *Committee Hansard*, 26 June 2015, p. 31.

89 Illawarra Forum, *Submission 42*, p. 6.

staff. On the other hand, what ended up being three extensions of contracts and funding through that period further undermined any capacity of the sector to work effectively within their communities and across their organisations to deal with the impact of the cut or the outcome of their tender. So, even when government heard those concerns from the sector and tried to address them through transitional funding or extensions of funding, the uncertainty around that and the changes through that process made what was a bad decision and a bad process at the outset even worse down the track.⁹⁰

Impact on service users

2.85 In addition to the impact of the overall funding cut, several submitters and witnesses highlighted that the tendering process, particularly through the transition period, was negatively impacting on service users. WACOSS identified a range of impacts on those in greatest need for services:

Unfortunately, the uncertainty created by this poorly designed and managed process is having a direct impact on disadvantaged and vulnerable people within our community, and on the frontline community service staff delivering the services that support them. Vulnerable people who face significant life challenges or come from disadvantaged or traumatic backgrounds require higher levels of certainty and trust, and there is significant evidence to indicate that the ongoing relationships with dedicated and caring support staff are critical to delivering outcomes that increase their resilience and improve their health and well-being. They tend to be sensitive to changes and threats within the service environment, pick up when staff are worried and stressed, and often react badly when those they have critical relationships with indicate they are moving on. These impacts have been exacerbated by the lack of communication and clarity about the timelines and processes for decision-making and notification, with service providers unable to discover who will be delivering new services within their areas so they can provide a supported referral. Delays in the tender assessment process have meant that on two occasions services that do not have ongoing contracts and are in the process of winding up have subsequently been given contract extensions – having already notified clients and staff of closure dates.⁹¹

2.86 Catholic Social Services Australia told the committee that in Queensland its service providers have encountered altered funding arrangements at the federal and state levels. Ms Sue Ludwig said that as a consequence:

...our agencies, particularly in the northern part of Queensland but also in south-west Queensland, are reporting longer waiting lists for some of those early intervention services. That is a funding cut impact on clients that they

90 Dr Tessa Boyd-Caine, Deputy Chief Executive Officer, Australian Council of Social Service *Committee Hansard*, 21 April, p. 53.

91 WACOSS, *Submission 68*, p. 2.

can see. The actual impact of the whole process ultimately on clients is harder to tell at this point.⁹²

2.87 Submitters and witnesses stated that the loss of smaller organisations has resulted in a loss of local services, with clients forced to either travel further for support or their service being reduced to phone support and in the case of ER, mailed vouchers.⁹³ Chesterhill Neighbourhood Centre submitted that its clients regularly walk from distant neighbourhoods because they cannot afford public transport and that an increase in the distance to services will compound their financial situation.⁹⁴

2.88 The committee heard that the loss of smaller, specialist organisations is particularly significant for culturally and linguistically diverse (CALD) communities. Victorian Arabic Social Services (VASS) said:

As many of VASS' clients are refugees and migrants, many of them already have a high level of mistrust in the social service system. They come to VASS because of the cultural and linguistic understanding and support VASS is able to provide. Changes to and reduction of services from one of the only organisations that many of the service users trust could damage their trust in all social services completely, and leave them unlikely to see any support. Ultimately the lack of funding will be extremely detrimental to the social, cultural, emotional, financial and psychological wellbeing of the service users – people of all ages, religions and genders who are of non-English speaking backgrounds in Victoria.⁹⁵

2.89 Box 2.3 provides a case study on the impacts on CALD services operating in Western Sydney.

2.90 Whittlesea Community Connections said the loss of diversity in the sector will lead to poorer outcomes for service users and reduced community ownership:

We are concerned that some grant allocations will potentially result in much poorer client service outcomes as new providers will take more time to learn about the needs of the communities in which they are now operating; there will be more 'one size fits all' approaches from larger organisations with less flexibility and responsiveness; a greater use of tax payer funds to bolster the overheads of large regional, state or national organisations and reduced community ownership of and input into local services.⁹⁶

92 Ms Sue Ludwig, Director, Member and Network Support, Catholic Social Services Australia, *Committee Hansard*, 21 April 2015, p. 8.

93 Ms Purdy, *Committee Hansard*, 26 June 2015, p. 17.

94 Chester Hill Neighbourhood Centre Inc, *Submission 47*, p. 1.

95 Victorian Arabic Social Services, *Submission 36*, p. 2. Also see: *Submission 66* which provides a detailed case study of a defunded CALD project in Darwin.

96 Whittlesea Community Connections, *Submission 57*, p. 6.

2.91 The Federation of Ethnic Communities' Council of Australia (FECCA) detailed the following CALD services, provided by its members, that will have to be scaled back or possibly discontinued as a result of the loss of grant funding:

- information sessions on how to access Centrelink;
- assistance to older people in writing applications for government housing;
- counselling for people experiencing depression and loneliness;
- assistance to older people with enabling them to remain living in the community;
- facilitation of access to aged care related information in community languages;
- assistance to older people with navigat[ing] the health and aged care system;
- development of multilingual resources;
- information to older people in regional and rural areas on the changes in the aged care system;
- support to local councils and other agencies in assisting their residents from CALD backgrounds;
- family focused and child centred activities for vulnerable migrant and refugee families; and
- culturally appropriate and accessible support services for families and referrals to mainstream agencies.⁹⁷

Data exchange protocols

2.92 Financial counselling service providers expressed concern about the requirement in their funding contract to comply with the department's data exchange protocols.⁹⁸ The committee heard that there is a mandatory requirement to provide the department with the given and family name, date of birth, gender, residential address and a number of demographic details of clients.⁹⁹

2.93 The main problem with this requirement is that by providing identifying information about clients to the department this will affect the service providers' ability to provide a confidential service to their clients.¹⁰⁰ Client confidentiality is a professional obligation of lawyers and financial counsellors, which encourages trust and confidence between the professional and the client.¹⁰¹ Consumer Action Law

97 Federation of Ethnic Communities' Council of Australia, *Submission 41*, p. 4.

98 Mr Gerard Brody, Chief Executive Officer, Consumer Action Law Centre, *Committee Hansard*, 21 April 2015, p. 14.

99 Mr Brody, *Committee Hansard*, 21 April 2015, p. 14.

100 Mr Brody, *Committee Hansard*, 21 April 2015, p. 14.

101 Mr Brody, *Committee Hansard*, 21 April 2015, p. 14.

Centre (CALC) expressed concern that the requirement would inhibit this relationship and therefore affect service delivery:

Pursuant to privacy legislation, the data protocols would have required us to seek consent to provide personal details to the funding body. Seeking this consent, as you might imagine, will severely limit the ability of a relationship of trust and confidence to be developed. Many clients ask our financial counsellors about their rights that pertain to government entitlements, and knowing that their details will be passed to government will mean that they will not be confident seeking advice.¹⁰²

2.94 CALC told the committee that in the past they had provided de-identified information, by using client ID numbers, to the department for the purpose of reporting on the services they provide to clients.¹⁰³ However, now the department is asking for client's personal information to be provided using a protected statistical linkage key (SLK), that is, a code created using clients personal information. CALC told the committee they believe the department wants this information so they can identify which clients use which of the department's funded services.¹⁰⁴ CALC noted concerns raised by the Office of the Victorian Privacy Commissioner about the security vulnerability of using SLKs, as the key can be reversed to reveal identifying information:

It is a very common misconception that an SLK by itself does not allow an individual to be identified when attached to non-identifiable data... For example, a common SLK includes the gender and date of birth plus three characters from known positions within the surname and a further two from known positions within the first given name. Information at this level contains much that could be used to identify individuals... It is not a tool primarily designed to protect or ensure the anonymity of the individual.¹⁰⁵

2.95 CALC told the committee that the department has not been able to provide adequate assurances or confirmation that the SLK protects client privacy and confidentiality.¹⁰⁶ CALC has received the following statements of assurance from the department on the matter:

The DSS Data Exchange IT system has been built with stringent security protocols to protect identified client data and prevent possible breaches of privacy.

Departmental staff will only ever be able to access de-identified client information from the DSS Data Exchange. Aggregation rules will be applied to all of our data reports (for example self-service reports available

102 Mr Brody, *Committee Hansard*, 21 April 2015, p. 14.

103 Mr Brody, *Committee Hansard*, 21 April 2015, p. 15.

104 Mr Brody, *Committee Hansard*, 21 April 2015, p. 14.

105 [http://www.privacy.vic.gov.au/privacy/web2.nsf/files/data-matching-in-the-public-interest-a-guide/\\$file/guideline_08_09_no1.pdf](http://www.privacy.vic.gov.au/privacy/web2.nsf/files/data-matching-in-the-public-interest-a-guide/$file/guideline_08_09_no1.pdf)

106 Mr Brody, *Committee Hansard*, 21 April 2015, p. 14.

to service providers) to ensure that no client is inadvertently re-identified due to a small sample size.¹⁰⁷

2.96 CALC notes in their submission:

... we have not seen any of these protocols or rules, we have not seen a Privacy Impact Assessment, and we do not know to what level and by whom any of these systems have been tested. We are effectively being asked to assure our clients of the security of their data and the purity of the department's intentions, and to run our own risk management, on the basis of these very general assurances¹⁰⁸

Impact on service providers

2.97 Evidence presented to the committee highlighted a number of impacts the new tender process has had on service providers:

- reduction of the contract term downward from five years¹⁰⁹;
- continuation of short-term funding extensions from one to six months (see 2.82);
- uncertainty created by the above changes to funding periods;
- loss of staff and expertise from the sector;
- difficulty in fulfilling industrial relations and legal requirements;
- reduction in indexation impeding on service delivery; and
- increased administrative burden.

2.98 During the October estimates hearings, Mr Finn Pratt, Secretary of the Department of Social Services, acknowledged that the tender process was 'a painful period' for service providers but said there would be rewarding 'trade-offs' with the most important being better services:

The flipside will be, once we get past this big first exercise: of course people will have much greater certainty because of the extended contracts and the reduced administrative burdens. There are trade-offs here. We are going through a painful period but the pay-off should be quite rewarding for providers as well as the department. But most importantly, the bottom line

107 Consumer Action Law Centre, *Submission 17*, p. 4.

108 Consumer Action Law Centre, *Submission 17*, p. 4.

109 The Government determined that some grant agreements will be shorter than originally intended. As Minister Morrison stated in a media release:

As a result of developments in the background law and the High Court's Pape and Williams decisions; some programs will require redesign to ensure conformity with the law. Some grant agreements will be of two years duration as that redesign process takes place. This will help to ensure service providers have the scope and flexibility to be responsive, innovative and creative in meeting the needs of the community (23 December 2014) - The Department of Social Services, *Submission 70*, p. 22

See also: Department of Social Services, *Submission 70*, p. 8; Australian Services Union, *Submission 34*, pp 6–7; Volunteering Victoria, *Submission 24*, pp 12–13.

for me is we should be able to provide better services to the customers of these programs. That is the bottom line.¹¹⁰

2.99 The benefits of longer contracts were outlined by Disability Advocacy Network of Australia (DANA):

A longer funding cycle would be optimal as this certainty would enable organisations to plan, build and implement programs, attract and retain high quality staff and engage in more sustainable – and thus more effective and efficient – business practices which deliver better results for the targeted groups. This should be informed by sector consultation and allow successful applicants to negotiate an agreement that meets their needs.¹¹¹

2.100 Unfortunately the department was largely unable to deliver certainty and security to the sector with longer five-year contracts.¹¹² In reality only 20% of the contracts offered were five years in duration.¹¹³ Uncertainty in the sector still remains, as Community Employers WA submitted:

[M]any organisations [remain] on edge, unable to make any medium to long term decisions about employing staff, extending contracts, signing leases for properties, investing in services, refurbishments or new capital and in implementing strategic plans. In essence, it made it extremely difficult to manage and govern with the uncertainty of future funding.¹¹⁴

2.101 Other service providers reported that funding uncertainty made it difficult to retain staff and manage staff morale, resulting in a loss of expertise in the sector.¹¹⁵ Illawarra Forum, a peak organisation that offers mentoring and support to senior staff, reported:

I have never ever seen the level of despondency amongst people who have so much commitment and experience and who would be seen as very strong leaders. The impact of this grants round, together with the other reforms that are going on, is really creating enormous levels of angst and despair amongst the sector.¹¹⁶

2.102 Jobs Australia told the committee that the short notice for discontinuation of funding has made it difficult for organisations to fulfil their industrial relations

110 Mr Finn Pratt, Secretary, Department of Social Services, *Committee Hansard*, 23 October 2014, p. 38.

111 DANA, *Submission 79*, pp 9–10.

112 Department of Social Services, answer to question on notice, 7 May 2015 (received 22 May 2015)

113 Department of Social Services, answer to question on notice, 7 May 2015 (received 22 May 2015)

114 Community Employers WA, *Submission 21*, p. [3].

115 Ms Sloan, *Committee Hansard*, 26 June 2015, p. 42

116 Ms Sloan, *Committee Hansard*, 26 June 2015, p. 42.

obligations, including giving adequate notice when terminating staff.¹¹⁷ Illawarra Forum added:

One provider we spoke to reported that they had a worker who had been issued with a final redundancy notice three times. This not only creates angst for the staff member but it exposes the organisations to significant risk for [Work Health and Safety], for stress related claims.¹¹⁸

2.103 Ms Narelle Clay, Chief Executive Officer of SYFS, noted that many community service organisations had to make hard decisions about whether to continue providing services to the community or to meet their legal obligations as an employer:

If you are not allowed to use your grant and unspent grant money towards redundancy, how did they think it was going to be paid? Legally, it has to be paid. You cannot break the law. I would suggest that many agencies did have to use that funding to pay it, or they would have been in breach of the law.¹¹⁹

2.104 The department confirmed that organisations are not able to use their remaining program funds to pay out redundancies and that they expect the organisation to manage its staffing costs:

We assume, as with any employer, that rec leave, sick leave and those arrangements [redundancies] are factored into the employment arrangement. Particularly since grants are for a time, as we explained earlier, organisations have that employer obligation.¹²⁰

2.105 Submitters and witnesses had concerns that the removal of indexation within funding contracts will make it difficult for organisations to deliver the same services with ever-reducing funds.¹²¹ Of the 21 funding rounds in the tender process, six were not subject to indexation and two were subject to an indexation pause.¹²² The department said the type of indexation that applies varies, it can be either a consumer price index or a wage cost index, and which one depends on the activity. The department also told the committee that indexation rates are a government decision and that the Department of Finance applies the percentage of indexation each year to

117 Ms Thompson, *Committee Hansard*, 21 April 2015, p. 21.

118 Ms Sloan, *Committee Hansard*, 26 June 2015, p. 31.

119 Ms Clay, *Committee Hansard*, 26 June 2015, p. 38.

120 Ms Bennett, *Committee Hansard*, 26 June 2015, p. 29

121 Ms Ryan, *Committee Hansard*, 21 April 2015, p. 41.

122 Department of Social Services, answer to question on notice, 26 June 2015 (received 3 August 2015)

those eligible programs.¹²³ The department told the committee it is possible that some providers are expected to provide a service for four years with no indexation.¹²⁴

2.106 Furthermore, evidence to the inquiry suggested that the government's decision to freeze indexation for a further three years coupled with the low level of indexation over the last few years has meant that funding indexation has not kept pace with real wage growth.¹²⁵ The committee also heard that this is compounded when coupled with efficiency dividends.¹²⁶ SYFS told the committee:

There has been no indexation in most of these programs since the beginning. Of course what that does is erode the quality of the expertise that you can retain and attract in the sector. So there are those two issues. Secondly, if every year you do not get indexation and you have an efficiency dividend also cutting into that funding, then of course you erode the hours [of operation] as well.¹²⁷

2.107 Submitters and witnesses told the committee that they would like to see the indexation of grant funding as standard practice.¹²⁸ The committee heard that currently Federal grant funding indexation is inconsistent and inadequate and has not covered the increases in overheads or wage increases, for example, Queensland Advocacy Incorporated said in the past five years they have only received 2.8% indexation.¹²⁹ Advocacy for inclusion said:

... we have not received appropriate indexation from the Federal Government for many years. The ACT government has a standard formula, announced in the Budget each year, which applies indexation uniformly to all ongoing community sector funding agreements. The Federal Government has no such formula and applies indexation if and when it sees fit.

Over 5 years to 2014 Advocacy for Inclusion received 15.7% indexation from the ACT Government. For the same period we received 4.4% indexation from the Federal Government, which is our largest funding body. This represents a gap in real terms of 11.3% in our funding over 5 years. The current government has also frozen indexation for another 3

123 Ms Bennett, *Committee Hansard*, 26 June 2015, p. 28; Ms Helen Board, Branch Manager, Program Performance, Department of Social Services, *Committee Hansard*, 26 June 2015, p. 28.

124 Ms Bennett, *Committee Hansard*, 26 June 2015, p. 28.

125 Ms Ryan, *Committee Hansard*, 21 April 2015, p. 41; Jobs Australia, *Submission 67*, p. 6.

126 Ms Clay, *Committee Hansard*, 26 June 2015, p. 38.

127 Ms Clay, *Committee Hansard*, 26 June 2015, p. 38.

128 Western Australian Association for Mental Health, *Submission 37*, p. 9; ACOSS, *Submission 65* p. 7.

129 Queensland Advocacy Incorporated, *Submission 18*, p. 3.

years from 2014. This is a significant shortfall when we already have huge demand for our services which cannot be met.¹³⁰

2.108 Submitters and witnesses told the committee that the process has also created a considerable administrative burden for grant recipients. SYFS told the committee:

...what we are doing is cutting funds but still expecting people to deliver better and more and be innovative and also do extraordinary administration that was not there in the past.¹³¹

2.109 Multicultural Communities Council of Illawarra concurred:

[The clients] do not see us more, because we are sitting in the office trying to deal with the administrative side of it. A lot more resources are going into that.¹³²

Impact on advocacy and peak organisations

2.110 At the first Canberra hearing, several peak bodies in housing and disability advocacy expressed concern about what they perceived as the government's diminished regard for their role arising from the tender process. Some of these organisations were defunded last year.

2.111 CHFA told the committee that its activities and outcomes:

...cannot easily be replaced, and Australia will be poorer for losing the vital functions of CHFA and the other housing and homelessness peak bodies that have not been refunded as a result of the [Housing and Homelessness Service Improvement and Sector Support] HHSISS funding round being terminated.¹³³

2.112 CHFA emphasised the important role played by peak bodies and the benefits that they provide to government:

...peak bodies have a unique role in sector representation and capacity building. The ability of such organisations to be effective relies on relationships built over time and an in-depth understanding of a sector and the issues that face it. Their contribution towards a functioning civil society sector is highly useful to governments. Peaks bring expertise, networks, long experience and a legitimate and credible voice on behalf of their sectors. In CHFA's case this capacity has existed since 1996. [Our] work and essential role cannot be easily or quickly replicated or taken over by another organisation.¹³⁴

2.113 The committee asked three of the peak housing advocacy bodies—Homelessness Australia, CHFA and Shelter—how they would sell their services to

130 Advocacy for Inclusion, *Submission 05*, pp 1–2.

131 Ms Clay, *Committee Hansard*, 26 June 2015, p. 40.

132 Mrs Terrie Leoleos, General Manager, Multicultural Communities Council of Illawarra, *Committee Hansard*, 26 June 2015, p. 40.

133 CHFA, *Submission 81*, p. 8.

134 CHFA, *Submission 81*, p. 6.

government and how this pitch would differ from a service delivery organisation. A Homelessness Australia representative said:

I would not see it as a comparison. Rather it is a whole network of service delivery to people experiencing homelessness. One of the key roles that we have is connecting different services and letting them know about each other. So, for instance, someone who is experiencing homelessness needs to get access to housing, so they will need to access public housing; then they will also need to access employment services and they also will potentially need to access mental health services. We have a role in connecting the services so that they know about each other so that they can work together. We develop the collaborative partnerships of those organisations. So to take us out because we are not the ones that are handing out the pillows and the bedsheets would be a drastic, horrible situation for the services, and they have said as much... Our nonexistence would create a totally dysfunctional system for our services and for the department as well.¹³⁵

2.114 Concerns were raised about the flow-on effect of the decision to bring disability advocacy into the new competitive tendering framework. DANA, a cross-disability peak body for around 70 disability advocacy organisations failed to secure funding in the 2014 tendering process. In its submission, DANA explained that it was previously funded by the department under 'national secretariat funding'. Following the 2014 changes to the funding guidelines the department sought tender applications for up to two cross-disability peak organisations and up to seven national organisations to represent service providers and the following target groups of people with disability: women, children and young people, Aboriginal and Torres Strait Islander people and people from culturally and linguistically diverse backgrounds. DANA asserts that five organisations representing the service providers and target groups secured funding, and only one organisation secured cross-disability peak funding (the Australian Cross Disability Alliance).¹³⁶

2.115 DANA emphasised the important coordinating role that peak bodies perform:

Peak bodies excel at sector consultation. Consultation is sometimes initiated in response to issues that member groups raise or may be in response to specific government processes or requests. In the latter case, approaching a peak body is much more efficient for government than instigating its own inquiries around the sector.

Peak bodies such as DANA also facilitate the flow of information between their members and gather pertinent information from member agencies. DANA has played a key role in disseminating information on changes to policy, government programs or the broader environment that will impact on the sector and/or their consumers, and in gathering and ascertaining the sector's response to such changes.

There are economies of scale in sharing resources across the sector rather than duplicating programs and resources. Thus, the sector development role

135 Mr Mudford, *Committee Hansard*, 21 April 2015, p. 29.

136 Disability Advocacy Network of Australia, *Submission 79*, p. 3.

of peak bodies has grown to include the provision and sharing of information, training, and management support. In addition, well-resourced peaks are able to run and/or promote conferences, forums and other events that provide opportunities for organisations to share knowledge and resources to build their capacity.¹³⁷

2.116 Submitters stressed the need for a stronger commitment to funding for independent advocacy. Advocacy for Inclusion, a member of DANA, told the committee:

It is time that the government got serious about independent advocacy or it did not. At the moment it looks very much ... like governments do not understand the work that we do. The people whom we are actually supporting to speak are people who do not get to turn up to Senate committees, because they actually often do not leave their houses...They are people who are closeted away. They are invisible. So it is very easy to forget that they have an opinion. It is very easy to forget that they actually have a right to say something. And it is very easy to forget that they actually need support to do that. And somehow our work is considered to be devalued—it is very poorly funded; it is uncertain funding—and apparently external audits are more important than that work anyway.¹³⁸

2.117 This sentiment was supported by some service providers:

We have to respect advocacy better. We have to encourage it. We have to have an environment in which we never have a situation whereby an agency feels uncomfortable to come and speak the truth. We must encourage it, recognise it, applaud it, celebrate it and see it as part of doing business together. It is not right when you feel unable to speak up. That is not right. I would encourage everybody never to think that that is going to give you a good result. We all have to speak up, because the people we support or work with do not always have the power to do that. With them, we come and help represent what they want us to say as well. Their support is fundamental to us doing good work.¹³⁹

2.118 In response to concerns raised during the inquiry, the department submitted that the grants process has not targeted advocacy or peak organisations:

While there have been some adjustments to services resulting from the recent grants round, adjustments have not specifically targeted peak body or advocacy services. Recent decisions made by Government in the context of MYEFO have resulted in the termination of some programmes, including the Housing and Homelessness Programme, affecting three peak bodies.¹⁴⁰

137 Disability Advocacy Network of Australia, *Submission 79*, p. 13.

138 Ms Christina Ryan, General Manager, Advocacy for Inclusion, *Committee Hansard*, 21 April 2015, p. 42.

139 Ms Clay, *Committee Hansard*, 26 June 2015, p. 42.

140 Department of Social Services, *Submission 70*, p. 31.

2.119 The committee sought clarification of the mechanisms the department would use in the future to engage with the housing and homelessness sector. The department advised it 'will continue to engage with representatives of the housing and homelessness sector on both a formal and informal basis' but did not comment on whether this consultation might be impacted by the loss of grant funding.¹⁴¹

Committee view

2.120 The committee heard the transitional arrangements were expected to be finalised within three months of contracts commencing on 1 March. However, this time frame had long expired when the department said information was still coming in and witnesses said they still did not know who all the successful tenderers were. The committee notes that the department has provided no further information to the committee in this regard.

2.121 The committee notes that the 'pay-offs' of the tender process for service providers and users have not come to fruition. Evidence suggests shorter than expected contracts have been awarded, administrative burdens have not eased and there are gaps in service provision.

2.122 The committee is concerned that the multiple funding extensions offered to organisations did not take into consideration the unique challenges faced by providers winding down services and referring clients on to other providers.

2.123 The committee is concerned the loss of services and uncertainty around services has potentially negative impacts on the health and well-being of vulnerable clients.

2.124 It is unclear to the committee how the department will use the personal information of clients, collected under the data exchange protocols to improve outcomes for service users. The committee shares the fears raised that there may be negative outcomes for clients under the data exchange protocols, as the clients lose the confidence and trust in their service provider and therefore may be unable to be effectively assisted. It appears that this issue has not been resolved.

2.125 The committee takes seriously concerns raised about the legal requirement to give adequate notice when terminating staff was not being met due to the short notice of funding termination during the tendering process. The committee suggests the department review its processes in light of these allegations to ensure all parts of the process support grant recipients to meet their industrial relations requirements.

2.126 The committee is concerned that defunding advocacy and peak organisations will impede their ability to advocate on behalf of members of the community and community service organisations, including in consultations and policy reform which are designed to achieve the best outcomes for service users.

2.127 The committee is concerned about the limited and inconsistent indexation applied to grant funding, which is effectively a funding cut.

141 Department of Social Services, answer to question on notice 29, 24 April 2015, received 7 May 2015.

Recommendation 5

2.128 The committee recommends that where possible, five-year contracts should be awarded to ensure stability so the sector can plan and deliver sustainable services.

Recommendation 6

2.129 The committee recommends that the privacy concerns raised in relation to the department's data exchange protocols should be resolved as a matter of priority.

Recommendation 7

2.130 The committee recommends that advocacy support be considered a vital component of community services in future funding arrangements and is given appropriate weighting in funding assessments.

Recommendation 8

2.131 The committee recommends that community sector funding should include consistent and adequate indexation of funding (to wage price index).

Improving the process

The NOUS review

2.132 An important part of any major reform is an effective review of what went well and what did not. The committee has heard that the department has commissioned external consultant NOUS Group to undertake a review of the grants process at a cost of \$90,000.¹⁴² The NOUS review is looking at the administrative processes of the department. Broadly it is looking at three phases: how the department designs the programs; how applications were assessed and decisions made; and then how the grants were negotiated and services established.¹⁴³ The full terms of reference for the review can be found at Appendix 4.

2.133 The department has asked the consultant to work with them on the issue of stakeholder engagement. However, it also confirmed that stakeholders would not be contacted as part of the NOUS review.¹⁴⁴ The committee asked the department whether it was aware that in failing to consult stakeholders, it would be missing a lot of valuable information about what happened through the process. The department responded:

142 Department of Social Services, answer to question on notice, 21 April 2015 (received 7 May 2015)

143 Dr Tim Reddel, Group Manager, Program Office, Department of Social Services, *Committee Hansard*, 26 June 2015, p. 2.

144 Dr Reddel, *Committee Hansard*, 21 April 2015, p. 79; Ms Bennett, *Committee Hansard*, 21 April 2015, p. 80.

We have other sources of information, as I said—the feedback that we have received; your deliberations.¹⁴⁵

2.134 The department told the committee that one of the insights to have come from the NOUS review into the department's processes is that they 'could have still met probity but perhaps not as black and white and with more time, depending on what it is.'¹⁴⁶ The department gave evidence that, right or wrong, they limited the information given to the applicants to ensure probity.¹⁴⁷ This points to the concerns raised earlier in this report around the lack of support for organisations when they are completing their applications.

2.135 The committee notes that the department has the draft copy of the report. However, the department told the committee the government will not be releasing the report publicly.¹⁴⁸

Transparency around funding decisions

2.136 The interim report noted the frustrations expressed by applicants about the long waiting period (12 weeks) for feedback.¹⁴⁹ The committee has also heard that when applicants did receive feedback it was vague, unconstructive and raised concerns about transparency.¹⁵⁰ Clear feedback is an important accountability mechanism, especially when evidence to committee suggests doubts around the rigour of the decision-making process. DANA told the committee:

Independent experts should be involved and consulted during tender review processes and prior - when programme guidelines are being redesigned.¹⁵¹

...

Following a pressured time line for submission and a long wait for the outcome, tendering organisations such as DANA do not have a clear view of how decisions were made or whether independent experts participated.¹⁵²

2.137 Illawarra Forum said:

It is very difficult to comment on how decisions were made as this information has not been made available. But our members expressed the opinion that as the front end process was confusing and unclear, it is

145 Ms Bennett, *Committee Hansard*, 21 April 2015, p. 80.

146 Ms Bennett, *Committee Hansard*, 26 June 2015, p. 4.

147 Ms Bennett, *Committee Hansard*, 26 June 2015, p. 9.

148 Ms Bennett, *Committee Hansard*, 21 April 2015, p. 80.

149 Senate Community Affairs References Committee, *Impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services, Interim report*, May 2015, pp 14–15, 20–21.

150 See Ms Donadel, *Committee Hansard*, 3 July 2015, p. 19; Ms Lisa MacLeod, Program Manager, Southern Youth and Family Services, *Committee Hansard*, 3 July 2015, pp 34–35.

151 Disability Advocacy Network of Australia, *Submission 79*, p. 12.

152 Disability Advocacy Network of Australia, *Submission 79*, p. 12.

difficult to see how a rigorous assessment process could be established, given that the front end was based on guidelines that lacked clear assessment parameters.¹⁵³

Repairing the relationship between the Department and the sector

2.138 Many people in the sector expressed that they feel the process was deeply disrespectful and that it has damaged their relationship with the department.¹⁵⁴

2.139 Volunteering Victoria told the committee:

I come back to my issue about respect. Volunteering is a sector which is critical to civil society. At a conservative estimate formal volunteering is worth about \$25.4 billion to Australia. One extrapolated estimate of the value of formal and informal volunteering values volunteering at about \$290 billion to this country. You would think a sector that is contributing so much to this nation would be treated more respectfully than it has been. There was no consultation. There was no collaboration. There was no negotiation. We were given agreements to sign, and there was no negotiation.¹⁵⁵

2.140 Ms Clay was scathing about the dismissive and disengaged attitude the department demonstrated toward the sector:

I have been around for 30 years. When I go back and think about FaHCSIA, I think it made considerable efforts to have relationships in the sector that were open, transparent and honest. We felt that, if you were running a service and maybe it was not going so well, you could talk to somebody and ask if you could modify it.... I have had national roles and we have always known who was in the Commonwealth office, so you could talk to someone if you needed to. I could not tell you of anybody in the Commonwealth department now...

I have not had a discussion with anybody about how we go forward, how these people are going to be treated in the community, what our agency is going to do and what suffering has occurred and how we should fix it. I think we really have to work out how to build back in trust and work together. Otherwise, we have to stop saying that we are in partnership and working together. We will just have to tell the truth and say that that is not there. There is a degree of still being able to work with the state office but, to be frank, in 30 years I have never seen anything that has had this kind of impact. Alongside the other reforms in states and territories, put them together and we feel shattered.¹⁵⁶

153 Illawarra Forum, *Submission 42*, p. 6.

154 Ms Noble, *Committee Hansard*, 21 April 2015, p. 58; Dr Caroline Lambert, Executive Officer, YWCA Australia, *Committee Hansard*, 21 April 2015, p. 67; Mrs Evelyn O'Loughlin, Chief Executive Officer, Volunteering South Australia and Northern Territory *Committee Hansard*, 21 April 2015, p. 69.

155 Ms Noble, *Committee Hansard*, 21 April 2015, p. 64.

156 Ms Clay, *Committee Hansard*, 26 June 2015, p. 36.

2.141 When the committee asked Ms Clay whether she was supportive of the department's intention to set up special consultative programs with the sector, her response was indicative of the damaged relationship:

I would have to say that, right at the minute, I am completely distrusting of the department being in control of setting it up, if that is not done collaboratively with us saying what we would like to see. I do not want them to have already decided they want to set up something. I want to work with them to go, 'This is what could happen,' and to do it in a way that is naturally sustainable, that happens as part of our ordinary processes. We cannot cope with one more thing being put upon us. We do not want to go to a different committee, put a submission in or have anything else different from what our community can provide naturally with the department.¹⁵⁷

2.142 The Illawarra Forum also added that a number of its members were reluctant to give evidence to this inquiry for fear of repercussions from the department. Ms Sloan opined: 'I think that speaks volumes about the relationship with the department.'¹⁵⁸

Committee view

2.143 The committee is concerned that the sector was not engaged during the NOUS review. The committee is also concerned that the terms of reference of the NOUS review were limited to administrative processes and that the department will not be undertaking a more comprehensive review of the grants process that includes the interactions with the sector and outcomes of the process.

2.144 In light of the fact that the department has not contacted or engaged stakeholders as part of its review of the process, the committee's evidence assumes particular prominence. The committee hopes that any work that NOUS may do with the department on stakeholder engagement takes careful note of the evidence received during this inquiry.

2.145 The NOUS report should be made public to promote transparency and encourage informed discussion in future consultations with the sector.

2.146 The committee agrees with submitters and witnesses that there should have been greater transparency in the decision making process. The department should review its engagement with the sector and service users in making decisions about the tendering process and on the outcomes of the 2014–15 process.

2.147 The committee is concerned that relationships between the department and service providers, advocacy and peak organisations have been severely damaged by this tender process. The committee is particularly concerned that the department has lost significant social capital with unpredictable results that will manifest in the future.

157 Ms Clay, *Committee Hansard*, 26 June 2015, p. 36.

158 Ms Sloan, *Committee Hansard*, 26 June 2015, p. 37.

2.148 While the committee commends the department on its initiative to hold future consultations with the sector, it hopes that this process is inclusive and gives the sector the opportunity to truly work in partnership with the department in moving forward.

Recommendation 9

2.149 The committee recommends that the Minister authorise publication of the final report of the NOUS review on the Department of Social Services website.

Recommendation 10

2.150 The committee recommends that an urgent review is conducted of where critical service gaps continue to exist, that this review is made public and that these gaps be filled immediately to make sure that very vulnerable people get the support they need.

Recommendation 11

2.151 The committee recommends that after 18 months of operation, an independent evaluation be undertaken to determine if the outcome of the tender process has been an improvement of services, and that this review is made public.

Conclusion

2.152 The new broad-banded competitive tendering process was a reform of such magnitude as not to be seen by the community sector before. It was undertaken at the same time as the budget was cut by \$240 million, followed by the MYEFO announcement of an additional cut, which in effect reduced the funding available by \$270 million.

2.153 Based on evidence to the inquiry, the committee concludes that the 2014 tendering process was poorly planned, hurriedly implemented, and resulted in a loss of services. The department sought and promoted innovative and collaborative applications but then provided too short timeframes for the sector to achieve this. Further, the process does not appear to have been equitable and transparent, with an apparent inherent bias toward larger providers at the expense of local knowledge and expertise that smaller providers have developed in response to their clients' needs.

2.154 Instead of constructively engaging with the sector, the department throughout the process kept providers and peak bodies at a distance and the sector felt the department undervalued their expertise, experience and role. In addition, the process has damaged relationships between providers by pitting them against each other and engendered greater mistrust of the department.

2.155 Unsurprisingly, many of the outcomes of the process have also been poor. Subsequent gap-filling funding decisions, coming so shortly after the tendering process, are effectively an admission that the process had significant flaws. Indeed, the identification of service gaps only weeks after the successful tenderers had been announced is evidence of significant flaws in the department's tendering strategy. It is certainly consistent with the view of many submitters and witnesses to this inquiry—that the department failed to identify and communicate areas of need prior to conducting the tender and develop a funding strategy that addressed key priorities.

2.156 An effective tendering round would have identified current and prospective service provision in localities across the country and put out tenders accordingly. It would also put an appropriate weighting on the skills and knowledge of community-based or specialist providers have in assessing tenders. The results show this was either done poorly or not at all.

2.157 It is of little consolation to the sector that the department has sought to improve the process with an external review but did not engage with them. Further, the department has not sufficiently explained how it will amend its process to ensure that future funding allocations are more properly targeted.

Recommendation 12

2.158 The committee recommends that the Auditor-General conduct its own review into the tendering process, including examining:

- **The Department of Social Services' work pre-tender in identifying service needs by region;**
- **The extent to which successful tenderers have sub-contracted their work to local and regional providers, job losses that have resulted from the tendering process and outcomes, and the extent to which Department of Social Services has oversight over these subcontracts;**
- **The extent to which the capacity for community-based service delivery (particularly the capacity to provide services to CALD and indigenous communities) was factored into the tender selection process;**
- **The impact on service delivery, advocacy and the support available to vulnerable people and communities.**

Senator Rachel Siewert

Chair

