

Chapter 2

Stakeholders' criticisms of the tender timeframes, the failure to communicate a funding strategy and the lack of engagement with the sector

2.1 The terms of reference for this inquiry include the following issues:

- the extent of consultation with service providers concerning the size, scope and nature of services tendered, determination of outcomes and other elements of service and contract design;
- the effect of the tendering timeframe and lack of notice on service collaboration, consortia and the opportunity for innovative service design and delivery; and
- the clarity of information provided to prospective tenderers concerning service scope and outcomes.

2.2 This chapter reviews the committee's evidence on two closely related issues. The first is the timeframes that the Department of Social Services (DSS) set for community service organisations to learn about the new system (37 days), apply for funding (35 days), sign contracts if successful (20 days) and receive feedback if unsuccessful (140 days). The second issue concerns the extent to which these timeframes and DSS' own systems and efforts, enabled genuine stakeholder engagement with the process. As the chapter emphasises, this engagement is a fundamental part of the Commonwealth's guidelines and rules relating to grants funding processes.

The timeframes

2.3 Submitters and witnesses to this inquiry raised a number of concerns in relation to the timing of the grants process. These concerns included:

- the time allotted to lodge grant funding applications was inadequate;
- the timing and limited detail of the initial results was both insensitive and inadequate;
- the lack of time for successful applicants to consider and sign a contract; and
- the period of time that DSS allowed itself to provide feedback to unsuccessful applicants was excessively long.

The pre-application period

2.4 The government announced the revised program arrangements on budget day, 13 May 2014. This gave community services organisations only 37 days before the

commencement of funding applications on 19 June 2014 to understand the new competitive process and the funding system.

2.5 Submitters and witnesses argued that DSS conducted this process particularly poorly. They claimed that not only did DSS fail to identify and communicate service gaps and a funding strategy to identify priorities, but the information it did provide was piecemeal, inconsistent and convoluted for many stakeholders to absorb.

2.6 DSS says in its submission that the bulk of information was released to coincide with the opening of the application process.¹ As a result, stakeholders claimed they did not effectively engage with DSS during the pre-application period. As a consequence, crucial information and interaction between DSS and stakeholders was conducted during the application period which created stress and compromised the quality of the applications.

The five week application period

2.7 This inquiry has received considerable criticism of DSS' truncated timeframe for community services organisations to make considered and innovative grant applications across 26 program areas. Applications opened on 19 June and closed on 23 July 2014.

2.8 In an answer to a question on notice, DSS argued that the 5 week period was chosen 'to provide the necessary balance of providing service providers time to become familiar with the new program and having the new grant arrangements in place as quickly as possible, so that clients could benefit from the *New Way of Working*'.² From this answer, it appears that DSS believed it was the 5 week application period—not the pre-application period—when stakeholders were expected to become familiar with the new arrangements.

2.9 The Department told the committee that the five week timeframe was consistent with the *Commonwealth Grant Guidelines* and the Australian National Audit Office's *Implementing Better Practice Grants Administration* (December 2013).³ The committee contests this claim. The *Commonwealth Grants Guidelines* do not specify a preferred time period for a grants application process. It refers to 'timeliness' of the tendering process only in general terms. The ANAO *Better Practice Guide* comments on the considerations in setting a timeframe for applications. Under a section titled 'Determining the due date for submitting applications', it states:

An important consideration in establishing the due date for applications is whether the time allowed between the public calling of applications and the

1 *Submission 70*, Appendix M.

2 *Response No. 5*, received 7 May 2015.

3 Ms Barbara Bennett and Dr Timothy Reddell, Department of Social Services, *Proof Committee Hansard*, 21 April 2015, p. 82; Ms Chantelle Stratford, Acting Branch Head, Program Systems and Strategy, Department of Social Services, *Proof Committee Hansard*, 21 April 2015, p. 83.

deadline for submission is adequate to provide potential applicants with a reasonable opportunity to develop proposals that are robust and comprehensively respond to the published guidelines. Issues that are relevant in this regard include:

- the nature of projects for which funding is likely to be sought;
- the budgetary cycle of expected sources of co-funding, particularly where this relates to other Australian Government bodies, State or Territory bodies, local government authorities or private trusts and foundations (which often announce funding in annual or periodic rounds); and
- the extent to which factors such as strategic collaboration between entities is identified in the guidelines as improving an application's chances of success.⁴

2.10 The overwhelming evidence from submitters and witnesses indicated that the DSS tendering timeframe of five weeks was inadequate. It was too short a time period not only for the size of the tendering round but also the government's express aim to 'encourage innovation in the sector by conducting open selections...to allow new and innovative service providers to deliver services'. This was a common complaint from submitters and witnesses to this inquiry. The Salvation Army, for example, told the committee:

The feeling of our organisation was that this placed enormous pressure and stress on our meagre resources for preparing submissions of such magnitude and with such serious implications for our future viability to continue to serve in a space where we have had a proven track record for such a long time.

The short time frame severely limited the capacity for organisations to develop partnerships or collaborative relationships with other providers or develop innovative initiatives. While there were briefings sessions countrywide, these were scripted, with questions directed to websites for all to see. But this made the information process frustrating and stilted. The Salvation Army would have welcomed a more comprehensive lead-up consultation with the sector and/or engagement with the sector through an exposure draft to ensure greater clarity, clear information and a more transparent process. Suffice to say that organisations like ours were also preoccupied with the preparation of a response to the draft McClure review of Australia's welfare system, which was due just two weeks after tenders closed for the DSS tender and mostly involved the same staff. So what I am trying to stress here is that it was a very highly stressful time to do things right.⁵

4 Australian National Audit Office, *Best Practice Guide: Implementing Better Practice Grants Administration*, December 2013, pp 46-47, http://www.anao.gov.au/~media/Files/Better%20Practice%20Guides/2012%202013/ANAO_BP_GrantsAdmin2013.pdf (accessed 21 April 2015).

5 Lieutenant Colonel Kelvin Alley, National Office, Salvation Army, *Proof Committee Hansard*, 21 April 2015, pp 1–2.

2.11 Uniting Care Australia similarly argued that:

...having 26 rounds simultaneously, targeting the same sort of cohort, has probably created this complexity. It might be a question worth asking the department: have they ever done 26 simultaneous rounds with a five-week period for application? I suspect that is the complexity. That is the genesis of the complexity.

You are right to say that tender processes have their own peculiarities and there are winners and losers. I think most of our agencies understand that. The problem is that we spend a lot of time trying to work out what to bid for, how to bid for it and whether we can collaborate, and that chews up a whole bunch of time. By the time you get to the end, you do not know, because you have 26 things that have been running simultaneously. That would be our impression of why this might be more problematic this time round than in previous times.⁶

2.12 Catholic Social Services Australia told the committee that previously, community organisations like theirs had five weeks to respond to one settlement as an activity. For last year's tendering round, the organisation made 11 submissions in the allotted period.⁷

The pre-Christmas notification

2.13 Another point of contention with the timing of the tendering process was the announcement of the successful tenderers—and therefore the unsuccessful tenderers—a few days before Christmas. Coupled with the insensitive timing, there was also concern among stakeholders at the lack of information provided just prior to Christmas and the uncertainty and anxiety that this created. As People with Disability Australia told the committee:

...we were very concerned that the unsuccessful organisations in this particular tender process were notified two days out from Christmas. Obviously, that was very distressing and we felt that was not good planning and it was not good for those organisations, or any organisation, to be trying to deal with having to notify people over that time and to be considering their future over a period which is obviously a shutdown period for most organisations.⁸

2.14 The Salvation Army described a similarly inadequate response from the Department:

It was a matter of days before Christmas when the Salvation Army received an official notification that we had been given preferred provider status but no further detail in relation to the size or distribution of the funding. Other organisations were advised that they were unsuccessful. Our funding was

6 Mr Joe Zabar, *Proof Committee Hansard*, 21 April 2015, p.

7 Ms Sheree Limbrick, *Proof Committee Hansard*, 21 April 2015, p. 7.

8 Ms Therese Sands, *Proof Committee Hansard*, 21 April 2015, p. 37.

extended for a further two months, but this signalled to staff that their employment was certain for only those few weeks and gave no clarity or certainty as to their employment for the future and gave no confidence to the Salvation Army as the employer that we could give appropriate notice to staff under employment agreements if their services had to be terminated. It also frustrated our recruitment processes for replacement staff.⁹

2.15 Uniting Care Australia also explained that the lack of detail had an impact on staff:

The issue for a lot of our agencies was they were told in the week of Christmas that they were preferred providers but that was without detail. What do you then say to your employees: 'We are a preferred provider but we just don't know'? So that also added to some of the complexity in planning and execution of what was going to happen with the projects down the track. So there were some issues there that I think we can learn from and the department could certainly learn from around timing and hopefully this inquiry will give that opportunity to the department.¹⁰

2.16 Catholic Social Services Australia said that the 22 December 2014 announcement was:

...very late. In our settlement service, staff had already suspended groups, and service users were very anxious about what was happening because there was no clarity about whether we were continuing funding or someone else was continuing funding beyond the end of February. When we eventually got the notice, it was four weeks before the grant was due to extend. So we had staff who were looking to move to other employment. We also had clients who were quite anxious about what was going to happen for [sic] them into the future. As others have said, we were very pleased when we got the grant extension, but it did cause huge anxiety for service users and staff alike.¹¹

2.17 The Financial and Consumer Rights Council expressed the same concerns:

I am aware of a national peak body receiving notification several days before Christmas that their direct tender had been unsuccessful. Their agencies in Victoria have largely not been in that situation. They have just had unclear information about when that money would become available and, when it became available, how much would be available. Most organisations, as far as we are aware, have received less than what they tendered for but did not know about that until around that Christmas period as well. Some organisations had planned to terminate worker contracts, for example, and workers were terminated before the extension to the contracts were made known, so there has been quite significant disadvantage in

9 Lieutenant Colonel Kelvin Alley, National Office, Salvation Army, *Proof Committee Hansard*, 21 April 2015, p. 2.

10 Mr Joe Zabar, *Proof Committee Hansard*, 21 April 2015, p. 9.

11 Ms Sheree Limbrick, *Proof Committee Hansard*, 21 April 2015, p. 4.

relation to service delivery and also to organisational planning for the new service delivery.¹²

Negotiating the grant offers

The short time to agree to grant offers

2.18 Further concern with the timing of the tendering process was the short period—20 days—within which successful applicants were expected to sign a contract with DSS. Volunteering Victoria stated that this timeframe had compromised service organisations' ability to plan:

We are concerned that VSOs were only given 20 business days to agree to grant offers, given that there was a significant difference between the scale, scope and geographic area of the tenders they submitted and the contracts they were offered. This does not give VSOs sufficient time to design, estimate costs and negotiate proposed changes to services, or to properly consider whether they should decline contract offers.¹³

2.19 Similarly, Catholic Social Services Australia noted in its submission that its members had felt pressured into signing the contracts and unsure about the impact of the funding cuts on their ability to deliver the service:

The community sector has taken on the risks associated with the unrealistic timeframes throughout the process. Negotiation of grant agreements has been a rushed process with members reporting feeling pressured to sign agreements in the absence of full information about the implications of funding cuts and how these would affect their own overall viability and consortium/other partnership agreements.¹⁴

2.20 The Australian Council of Social Service (ACOSS) also identified various problems arising from the short timeframe within which successful organisations were required to sign a contract:

Community organisations must be given the time and resources to contract appropriately, to ensure effective community services for the people and communities that rely upon them; and to enable due diligence on what organisations are being offered funding for, their obligations on that funding, and their capacity to meet those obligations. The lack of such timeframes in the current contracting round, with organisations being offered less than one month to agree [to] current funding offers, has caused significant problems for organisations across the sector. ACOSS has consistently advocated a minimum of six months' notice before the end or

12 Ms Pasco, *Proof Committee Hansard*, 21 April 2015, pp 17–18.

13 *Submission 24*, p. 12.

14 *Submission 31*, p. 12.

change of funding arrangements: on any revision or reform to funding programs; and as a minimum timeframe for any contract negotiation.¹⁵

Asking for one thing, offered another

2.21 The difficulty of complying within the short period was compounded by confusion about what, precisely, agencies had been successful for. Service organisations reported being awarded a contract for services and regions that differed from those specified in their applications. As ACOSS told the committee:

For organisations offered funding under the current DSS round, a key challenge has been the difficulty to properly negotiate contracts within the one month before their current Government funding runs out, particularly where organisations were offered funding on a different basis from that for which they tendered. There may have been attempts to maintain services and organisational capacity as part of DSS funding decisions, in the context of reduced funding. But the result is that many organisations needed to review their allocation of resources and their service design in the face of funding offers for different amounts or for different activities to those they applied for; while also undertaking due diligence on the contract obligations themselves.¹⁶

Confidentiality of contracts

2.22 Similarly, the confidentiality clauses in the contracts that prevented agencies from revealing the details of their offers with other agencies limited the ability of the tenderers to make an informed decision on whether the contract best served community needs and enhanced collaboration (see 3.14).

2.23 Communicare stated in their submission:

A lack of information about which other local providers were losing or gaining services made it effectively impossible for us to transition existing clients or give them any certainty about whether they would have any ongoing support. Taken together with restrictive confidentiality provisions it also made it impossible for us to negotiate sub-contracting arrangements where we have been asked to deliver services in areas we had not tendered for.¹⁷

2.24 Anglicare WA also told the committee:

A lack of information about which other local providers were losing or gaining services made it effectively impossible for us to transition existing clients or to be able to provide them with any certainty about whether they would have any ongoing support.

15 *Submission 65*, p. 10.

16 *Submission 65*, p. 10.

17 *Submission 11*, p. 3.

Restrictive confidentiality provisions within tender contracts further inhibited any ability to appropriately map service coverage or enable the appropriate transition of service users. The necessity for such provisions remains unclear to Anglicare WA.¹⁸

The 12 week feedback period

2.25 Another concerning aspect of the timing of the tendering processes was the 12 weeks that the Department gave itself to provide feedback to unsuccessful tenderers. The committee was told that those community organisations that wanted feedback were initially given 24 hours (later extended to a week) to apply before their three month wait. DSS told the committee that the feedback will be provided by 12 May 2015.

2.26 The Disability Advocacy Network told the committee:

There is a specific process issue that DSS also should be asked to respond to which is around feedback to organisations. There was a general feedback put out about this particular funding [round]. For specific feedback we had to register by a date in February which they extended by one week. Then they have given themselves 12 weeks after that date—which would take them to the middle of May—to give specific feedback. If they had done a proper selection process—and presumably they have—and they have all the reasons written down as to why organisations were selected or not selected, surely all they should have to do is cut and paste that into an email and send it to us. How can that possibly take 12 weeks, to the middle of May? It makes no sense. Therefore, our cynical assumption is that they were thinking that half of us would have folded and gone away and they would never have to tell us why they did not fund us.¹⁹

2.27 The ANAO's *Better Practice Guidelines* note that the Parliamentary Joint Committee of Public Accounts and Audit has identified the provision of adequate feedback to unsuccessful participants as an important element of grant administration.²⁰ The Guidelines state that there is an expectation that unsuccessful candidates for funding will be provided with constructive feedback that identifies:

- at what stage the application for funding did not progress further (for example, was it assessed as ineligible such that it did not proceed to the merit assessment stage);

18 *Submission 49*, p. 4.

19 Ms Mary Mallett, *Proof Committee Hansard*, 21 April 2015, p. 45,

20 Australian National Audit Office, *Implementing Better Practice Grants Administration, Better Practice Guidelines*, p. 77,
http://www.anao.gov.au/~media/Files/Better%20Practice%20Guides/2012%202013/ANAO_BPG_GrantsAdmin2013.pdf (accessed 10 May 2015).

- if the application progressed to the merit assessment stage, which criteria the application did well against and which criteria it did poorly against; and
- any suggestions in relation to applying for future funding opportunities.

To satisfy this expectation, feedback that is specific to the unsuccessful application can be assisted by agencies:

- planning for the provision of feedback in the design phase of the granting activity;
- outlining the methods that will be employed to provide feedback to unsuccessful applicants in the grant guidelines; and
- maintaining a comprehensive record of the assessment and decision-making process.²¹

2.28 The ANAO Guidelines also recommend that:

...the delivery of feedback should be relevant, informative and accessible. For example, there have been instances where the provision of feedback as to how an application was assessed in terms of the published criteria has led to applicants drawing attention to shortcomings with the agency's assessment. 'On occasion, this has resulted in an application being reassessed and funded once it became evident that the proposal had considerable merit in terms of the published criteria. This result is to the benefit of both the applicant and the granting activity'.²²

Committee view on issues relating to timeframes

2.29 The committee has concerns about the timing of the DSS grants funding tendering process. The timeframe for explaining the new system, applying for funding, requiring successful tenderers to sign contracts and providing feedback to unsuccessful applicants were poorly thought out. It was conducted too quickly, with too many rounds, and was undermined by the initial budgetary cut of \$240 million and the further cut of \$30 million. The timeframes seemed to compound an inherently divisive process: one that stifled opportunities for collaboration and innovation among community service organisations and frustrated and misguided both the successful and unsuccessful applicants in the notification and feedback processes.

21 Australian National Audit Office, *Implementing Better Practice Grants Administration, Better Practice Guidelines*, p. 77, http://www.anao.gov.au/~media/Files/Better%20Practice%20Guides/2012%202013/ANAO_BPG_GrantsAdmin2013.pdf (accessed 10 May 2015).

22 Australian National Audit Office, *Implementing Better Practice Grants Administration, Better Practice Guidelines*, p. 77, http://www.anao.gov.au/~media/Files/Better%20Practice%20Guides/2012%202013/ANAO_BPG_GrantsAdmin2013.pdf (accessed 10 May 2015).

2.30 The committee considers that in light of these failings, the Department of Finance and Public Administration should revisit the *Commonwealth Grant Guidelines and Rules* to include sections covering the due date for applications, the timing and content of notifications and the timing of the feedback to unsuccessful tenderers.

The lack of engagement with the sector

2.31 A hallmark of a properly administered competitive tendering process is timely and adequate consultation with stakeholders. Consultation is more than simply providing information. As the *Commonwealth Grant Guidelines* make clear, a sound grants process is marked by the building of productive relationships through a two-way flow of information and views. The Guidelines also emphasise the importance of building these relationships in order to achieve government policy outcomes:

Officials should work together with key stakeholders, both within government and outside of government, through all phases of grants administration, such as the design and development of grant guidelines and application processes. Officials should build productive relationships with grant applicants and recipients to collaboratively achieve government policy outcomes.²³

...

Accountable authorities have a duty to encourage officials to co-operate with others to achieve common objectives. Officials should work collaboratively with stakeholders, including other government entities, grant recipients and beneficiaries. It is important to consider the needs and interests of grant recipients and beneficiaries. It should not be assumed that the same approach will suit all grants activities and circumstances. Through effective collaboration, shared understanding of expectations and positive working relationships, government policy outcomes can be achieved.²⁴

Concerns with DSS' lack of engagement and strategy prior to the application process

2.32 In its submission, DSS sets out its communication activities prior to, during and after the application period (see Appendices C and M). The timeline is notable for the lack of communication activities prior to the start of the application period on 19 June 2014. The government gave the Department less than five weeks to explain the context and rationale for significant and complex reforms to a diverse group of stakeholders nationwide. Stakeholders have rightly complained that they were not consulted with prior to the application process commencing. The Karralika Program, for one, saw DSS' lack of consultation during this period as remarkable:

I think that in the 25 years I have been in the NGO community services and health sectors I have not seen a tender process where there has not been a

23 *Commonwealth Grant Guidelines*, p. 15.

24 *Commonwealth Grant Guidelines*, p. 19.

consultation with the sector prior to the announcement of a tender. There was no consultation around the strategy or around what the key priority areas would be. There was a declaration of what there was but no consultation with the sector, so for me that made it unique as well.²⁵

2.33 Stakeholders reasoned that DSS should have communicated with stakeholders prior to the tender process a strategy based on which regions needed what services and how partnerships could fill these gaps. The strategy should have been developed by engaging with the sector prior to the tender. However, this does not appear to have happened. As ACT Council of Social Service (ACTCOSS) told the committee:

[DSS] provided us with a reassurance that there would be a gap analysis done now. I suppose we thought that was a bit late—that you might have done that before you had made your decisions.²⁶

2.34 ACTCOSS also noted the general lack of consultation with service providers prior to the application process. Its CEO told the committee:

There was no conversation with the ACT government, who co-fund half these programs. There was no conversation with the other funding organisations—philanthropic funding or other organisations. So there was a huge transformation, a huge change, a huge shake-up, with no consultation with the partners in the funding space—or even conversations.²⁷

2.35 Less than two weeks after the 13 May 2014 budget announcement, the Department commenced a series of 15 'information sessions'. The Department noted that these sessions were a way 'to explain the new way of working and the upcoming application process'.²⁸ There were 2395 registrations (from a possible 2660 places) to these events. While the information sessions were well-attended, they have been criticised by stakeholders for being scripted and non-interactive (see paragraph 2.7). The information sessions therefore were certainly not consultative. DSS took only 297 questions on notice. The committee understands that the conduct of these sessions is now part of the Department's commissioned internal review of the process.²⁹

2.36 Other forms of departmental communication in the lead-up to the application process also failed to engage stakeholders. DSS established its own 'Grants Inbox' on 14 May 2014. It noted that by the commencement of the application process on 18 June 2014, there were only 297 enquiries.³⁰ The committee suspects that most stakeholders did not have adequate time to sufficiently digest the new process and the

25 Ms Camilla Rowland, *Proof Committee Hansard*, 21 April 2015, p. 52.

26 Ms Susan Jane Helyar, *Proof Committee Hansard*, 21 April 2015, p. 60.

27 *Proof Committee Hansard*, 21 April 2015, p. 52.

28 See *submission 70*, Appendix M.

29 Dr Tim Redell, *Proof Committee Hansard*, 21 April 2015, p. 79.

30 See *submission 70*, Attachment A.

opportunities and challenges it would present to them given that more than 2000 emails were received up to 21 July according to DSS.³¹

2.37 Indeed, stakeholders complained to the committee that DSS sent out information before and during the application process without regard to the quality of the communication and how it would be received. As noted earlier, the Salvation Army described the consultation process as 'frustrating and stilted', citing scripted briefing sessions and questions directed to websites.³² Catholic Social Services Australia expressed its concern at the 'overwhelming' amount of information DSS was communicating 'via email, website and over the phone'.³³ It noted that in general, its members found that:

They needed to allocate additional resources to monitor the information coming through to ensure that they did not miss anything.

The information being communicated was reactive to issues and this meant members needed to go back and make changes to their applications as new advice was released.

The Frequently Asked Questions (FAQs) were difficult to access and contained unclear and contradictory advice. The website was changed midway through the process and therefore previous communication was difficult to find and keep track of.

Members received conflicting advice from help desk attendants and FAQs.

The DSS Grants team were unable to provide detailed information in relation to specific programme areas. Depending on the state, some members were able to access programme specific information from DSS state offices.

DSS was not able to give same day response to email queries putting further pressure on the tight timeframes. In several cases members had to go back to clarify inconsistent and confusing information in the answers.³⁴

2.38 The truncated timeframe prior to the commencement of the application process meant that DSS could not identify stakeholders' concerns until well into the application process. An example is DSS' Grant Services Map, which sets out where particular services are funded from within the new program arrangements.³⁵ This should have been publicly available and disseminated information from the outset. However, DSS noted that the map was only published on 1 July 2014 (well into the application process) in response to questions about where particular services were funded from within the new program arrangements. This reactive approach from the

31 See *submission 70*, p. 12.

32 Ms Evelyn O'Loughlin, *Proof Committee Hansard*, 21 April 2015, p. 66.

33 *Submission 31*, p. 13.

34 *Submission 31*, pp. 13–14.

35 See *Submission 70*, Appendix I.

Department reflects the fact that engagement was not properly undertaken prior to the application process.

Concerns with DSS' communication during the application process

2.39 Several submitters and witnesses also expressed their disappointment with DSS' poor communication during the application process in June and July 2014. The Community Housing Federation of Australia, for example, argued that the application process was made difficult by the lack of clear information on the priority areas for funding. It told the committee:

There was a lack of information as well on priority areas of interest—the size of projects, the scope of projects. For example, was a \$50,000 project more viable, something the department was more interested in, as opposed to, say, a \$200,000 project? We could apply for one-year projects or for multi-year projects. Did a one-year project have a better likelihood of being successful than a multi-year project, or is that what they were looking for?

In fact, when I was looking at the DSS submission I noticed they made a comment that, as a result of the budget cuts, they were required to look at the consideration of higher priority areas of need due to the budget. But I do not see how that was conveyed, particularly in our area, because it was not clear what the priorities were. For example, our organisation put in for two projects that had to do with housing and NDIS because that is what our sector saw as being a priority and our sense was that it was also a priority for the government. However, we were not sure whether it would be perceived as a housing priority or as an NDIS priority and perhaps be more suitable for funding from a different pot of money. That was unclear. There was also some confusion and shifting information about the number of proposals that an organisation could submit. At one point, we were told it was only one per organisation but then we were told it was only one per subcategory. There was also conflicting information in written documentation between the overview summary data and the more detailed data that was put out by the department. As it turned out, you could put in as many proposals as you wanted. Our organisation ended up putting in one proposal per category...and for one full-time equivalent staff that is pretty much all they did for a month. We also had to bring in and pay for a private consultant to help us with the final applications.³⁶

2.40 Volunteering Victoria expressed its frustration at the way that information about the process of applying for funding was communicated:

Information about the process came out in a piecemeal manner, right up until the application deadline. There were delays by DSS staff in answering questions throughout the process, and some of the information provided was inconsistent with earlier information. The online templates were

difficult to edit and read. The online portal crashed in the final days as the submission deadline approached.³⁷

2.41 The Chief Executive Officer of Volunteering South Australia drew the committee's attention to what should have been the consultative approach:

You are all aware of the Commonwealth grant rules and guidelines. One of the most important things in here is agency staff should 'build productive relationships with grant applicants and recipients to collaboratively achieve' government policy and outcomes. Staff should work together with key stakeholders to design—sorry, in all phases of grant administration, such as the design and development of grant guidelines and application processes. Nothing could be further from the truth.³⁸

2.42 The Salvation Army noted in its submission that:

The DSS email inbox closed 5 days before the closing date for applications. However, this was when members were encountering the most difficulties with the lodgement system and questions about requirements for example in project budgets.³⁹

Lack of engagement following the application process

2.43 As noted earlier, stakeholders have also complained of a distinct lack of information and engagement from DSS following the tender process. Grants Network Victoria said that:

Despite the Department's continued reporting of the overwhelming numbers of applications received, it has not given any indication that how many applications were deemed ineligible, numbers of duplicate applications received given the issues of online lodgement and confirmation processes (given the widespread confusion throughout the application process), the success rate of applications relative to the numbers submitted, the spread of successful applications across States, nor whether individual applications scoring will ever be released.

For our members, it raises the questions that, because of the size of the Department and numbers of funding rounds it administers, subsequent access to any individualised feedback may never occur and may be entirely dependent on the numbers of application the Department receives. This prospect provides no clear pathway for grant writers in local government wishing to improve their specific applications or supports the sector to prepare strong proposals when only generic information is provided, as indicated in their policy document above.

For our membership, we are unable to determine if tender review processes were in accordance with these Terms of Reference or compliance with the

37 *Submission 24*, p. 12.

38 Ms Evelyn O'Loughlin, *Proof Committee Hansard*, 21 April 2015, p. 66.

39 *Submission 31*, p. 14.

Commonwealth Grant Guidelines. This is especially during the period of tender announcement delays on whether the appropriate makeup and expertise was obtained, given the number of applications received. Question marks for our members therefore remain about the assessment and decision making process. This is primarily around their concerns that they were unable to obtain appropriate individual feedback on their unsuccessful applications, nor obtain any understanding of who and how many successful applicants there were [at] 4 March 2015.⁴⁰

2.44 ACTCOSS told the committee:

Our territory government was sitting at the same table as us, going, 'When are we getting information about who got cut?' The list of organisations that got funded, which we have been asking for since 23 December, arrived on my desk last week [mid April 2015].⁴¹

The benefits of—and the consequences of not—engaging with the sector

2.45 Our final report will further consider the impact of the tendering process on the sector. It is important to note here that DSS' lack of engagement with providers and its failure to conduct a proper assessment and analysis of service gaps is having adverse consequences in terms of service provision. The Western Australian Council of Social Services identified several consequences arising from the lack of consultation with community service providers. Mr Chris Twomey told the committee:

...one of the things that has happened there is that the lack of consultation, both with the services and with the state and territory governments, has actually meant that they are unable to plan for their own investment to see where gaps are opening up and to make sure that they are complementary and integrated services. One of the opportunities there would actually be to identify some specific regions for some specific service or program areas where we could experiment with doing things differently. We could have a co-designed process which is clearly engaging, saying, 'This is the analysis we have got of the level of community need within this region or within this cohort. Let's get people together and discuss what are the service needs to deliver that, what is the most effective and integrated service system that we can develop to do that.' In that process when we have done those things at the state level we have seen much more targeted and effective services being proposed during the competitive part of the tender process and a much higher degree of collaboration between services, many more consortia or many more people specialising in the particular area but then knowing how that links to cross-referrals to other services.⁴²

40 *Submission 45*, p. 11.

41 Ms Susan Helyar, *Proof Committee Hansard*, 21 April 2015, p. 32.

42 *Proof Committee Hansard*, 21 April 2015, p. 57.

Reasonable timelines and engagement with the sector

2.46 This report has highlighted the committee's concern that the Department of Social Services (DSS) did not properly engage with community service organisations. Had it done so, the committee believes that the outcomes of the tender process would have been better. Chapter 2 identified the truncated timeframes and DSS' lack of engagement with the sector as interlinked problems:

- there was no formal consultation on the reforms prior to the Budget announcement;⁴³
- DSS had little more than a month to engage with stakeholders before the application process commenced;
- this contributed to a rushed and confusing five week application period for stakeholders. The bulk of information for stakeholders was given far too late—at the beginning of the application period.

2.47 Had DSS had longer timeframes prior to the due date for applications, the style and the quality of communication from the Department would certainly have been enhanced. Moreover, had more reasonable timeframes been put in place, the sector would have been far better placed to develop the innovative and collaborative proposals that the government wanted. Anglicare put these arguments well:

The lesson from this tender process is that we need to build effective mechanisms to ensure there is a real understanding of the circumstances that government agencies and service providers work within...

In regard to this inquiry, the key indicators of a healthy relationship are so often around the imposition of reasonable timelines as part of a process from which the sector can draw the best expertise.⁴⁴

The committee's recommendations

2.48 The committee believes that the 2014 DSS tendering process should be assessed against the Commonwealth Grants Guidelines and Rules and the ANAO's Better Practice Guidelines. Specifically, this review should focus on whether DSS' process complied with the Commonwealth Grants Guidelines principles for grants administration.

Recommendation 1

2.49 The committee recommends that the Auditor-General consider a review of the 2014 Department of Social Services community service tendering process. This review should include an assessment of how the process fared against each of the Commonwealth Grants Guidelines seven key principles:

43 Department of Social Services, *Submission 70*, p. 7.

44 *Submission 46*, pp 3–4.

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- **robust planning and design;**
 - **collaboration and partnership;**
 - **proportionality;**
 - **an outcomes orientation;**
 - **achieving value with relevant money;**
 - **governance and accountability; and**
 - **probity and transparency.**

2.50 The committee is concerned that the *Commonwealth Grants Guidelines and Rules* and the Australian National Audit Office's *Implementing Better Practice Grants Administration* do not refer in specific terms to the need for 'reasonable timelines'. The committee strongly believes that these documents should provide more guidance to agencies on the benefits that longer and more strategic timeframes can offer not only in terms of enhancing the quality of applications but also in terms of building productive relationships between applicants and with government.

2.51 The committee believes that the Department of Finance and Administration and the ANAO should review the 2014 community service tendering process with a view to including in their respective documents a section on timelines and stakeholder engagement. The agencies' focus in this review should be on how a commissioning agency should set timelines for a tendering process with particular reference to:

- whether there is merit in requiring certain documentation—such as funding priorities and the selection criteria for applicants—to be in the public domain for a certain period of time prior to the commencement of the application process;
- whether stakeholders should be consulted at the outset on how best to structure the tendering process when there are multiple program rounds under consideration;
- whether there is merit in setting a maximum number of program rounds that can be called for in a given time period;
- whether there is merit in setting a standard that requires a minimum period of advance notice of service procurement processes;
- whether there is merit in setting minimum time periods for the pre-application process, the application period and the period for successful applicants to sign a contract; and
- whether there is merit in setting a maximum time period for the commissioning agency to notify successful tenderers and provide feedback to unsuccessful tendered;
- whether there is merit in adopting a two stage process for discretionary grant funding applications, beginning with an EOI process followed by a closed grant round for successful EOI applicants; and

- whether there is merit in setting a standard that requires that new contracts are finalised within a minimum time prior to the end of existing service contracts.

Recommendation 2

2.52 The committee recommends that the Auditor-General consider reviewing the 2014 community service tendering process conducted by the Department of Social Services (DSS) with a view to updating the Commonwealth Grants Guidelines. Specifically, the committee draws the Auditor-General's attention to the effect that the truncated timelines of the 2014 process had on poor engagement with the sector, which in turn has been expressed in a general sense of stakeholder disenfranchisement.

2.53 The committee recommends that the Auditor-General analyse the 2014 DSS tendering process to assess the need for specific guidance on the following issues:

- whether there is merit in requiring certain documentation—such as funding priorities and the selection criteria for applicants—to be in the public domain for a certain period of time prior to the commencement of the application process;
- whether stakeholders should be consulted at the outset on how best to structure the tendering process when there are multiple program rounds under consideration;
- whether there is merit in setting a maximum number of program rounds that can be called for in a given time period;
- whether there is merit in setting a standard that requires a minimum period of advance notice of service procurement processes;
- whether there is merit in setting minimum time periods for the pre-application process, the application period and the period for successful applicants to sign a contract;
- whether there is merit in setting a maximum time period for the commissioning agency to notify successful tenderers and provide feedback to unsuccessful tendered;
- the merit of a two stage process for discretionary grant funding applications, beginning with an Expression of Interest followed by a closed grant round for successful EOI applicants; and
- whether there is merit in setting a standard that requires that new contracts are finalised within a minimum time prior to the end of existing service contracts.

Concluding comment

2.54 The committee highlights that the truncated timeframes of the 2014 tendering process and poor level engagement with the sector are linked. Future DSS tendering processes must recognise that if genuine engagement is to take place, adequate timeframes are needed to:

- explain the government's strategic funding priorities;
- allow applicants to prepare considered and innovative proposals; and
- allow successful tenderers the time to consider service offers in contracts.

2.55 The committee highlights the options mentioned above to improve the timetable of future tendering processes. These options have important benefits. The longer and more methodical timetable will provide the Department with the opportunity to engage and build relationships with stakeholders. Through this engagement, the sector will be given a genuine opportunity to innovate, target service gaps and deliver a high quality of service. It is of real concern to the committee that the 2014 process not only failed to realise the sector's potential, but has eroded its capacity.

Senator Rachel Siewert

Chair

