

Chapter 1

Introduction

1.1 This is the Senate Community Affairs References Committee's (committee) second and final report into the impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services (department).

1.2 The tendering process that was introduced in 2014 was described by the department as 'a new, broad banded discretionary grant programme structure' that would 'strengthen our capacity to deliver grant programmes, services and support to individuals and families'.¹ The department claimed that competitive tendering would encourage innovative, collaborative applications and open up opportunities for service delivery from organisations that had not previously been considered.²

1.3 Any assessment of the impact of the 2014 tendering process must bear in mind that the process was intended to achieve \$240 million in savings over four years, with further savings of \$30 million announced in the Mid-Year Economic Forecast and Outlook. In effect, only \$646.04 million (a reduction of 27%) was available in grants funding for 26 program areas. The committee was told by submitters and witnesses that this was a 'savage' cut and that the sector was left in the dark in terms of where the government intended to land that cut.³

1.4 Following the announcement of the results of the tender process, gaps in service provision were identified. To address some of these gaps, the government announced on 1 April 2015 \$1.7 million would be provided to fill gaps in Emergency Relief.⁴ Then on 10 June a further \$40 million was announced to address gaps in frontline services that had been identified.⁵

1 Department of Social Services, *Portfolio Budget Statements, Budget Related Paper No. 1.15A, Social Services Portfolio*, p. 25
https://www.dss.gov.au/sites/default/files/documents/05_2014/2014-2015_dss_pbs.pdf
(accessed 10 May 2015).

2 Department of Social Services, *Submission 70*, p. 4.

3 Dr Cassandra Goldie, CEO, Australian Council of Social Service, *Committee Hansard*, 21 April 2015, p. 51; Ms Narelle Clay, CEO, Southern Youth and Family Services, *Committee Hansard*, 26 June 2015, p. 32.

4 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)

5 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)

1.5 The inquiry has received substantial evidence that raises a number of concerns about the planning and implementation of the tendering process. The interim report outlined the issues submitters and witnesses had with the tender timeframes and lack of consultation with the sector. This final report will examine the strategic planning undertaken by the department and evidence of the impact of the tendering process.

Terms of Reference

1.6 On 12 February 2015, the Senate referred the inquiry to Senate Community Affairs References Committee (the committee) for report by 26 March 2015.⁶ The terms of reference direct the committee to enquire into:

- a. 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;
- b. the effect of the tendering timeframe and lack of notice on service collaboration, consortia and the opportunity for innovative service design and delivery;
- c. the evidence base and analysis underlying program design;
- d. the clarity of information provided to prospective tenderers concerning service scope and outcomes;
- e. the opportunities created for innovative service design and delivery, including greater service integration or improved service wrap-around, and the extent to which this was reflected in the outcomes of the tender process;
- f. the extent to which tenders were restricted to not-for-profit services, the clarity of these terms, and whether they changed during the notification and tender process;
- g. analysis of the types, size and structures of organisations which were successful and unsuccessful under this process;
- h. the implementation and extent of compliance with Commonwealth Grant Guidelines;
- i. the potential and likely impacts on service users concerning service delivery, continuity, quality and reliability;
- j. the framework and measures in place (if any) to assess the impacts of these reforms on service user outcomes and service sustainability and effectiveness;
- k. the information provided to tenderers about how decisions are made, feedback mechanisms for unsuccessful tender applicants, and the participation of independent experts in tender review processes to ensure fairness and transparency;
- l. the impact on advocacy services across the sector;

6 *Journals of the Senate*, No. 78–12 February 2015, p. 2159.

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- m. factors relating to the efficient and effective collection and sharing of data on outcomes within and across program streams to allow actuarial analysis of program, cohort and population outcomes to be measured and evaluated;
 - n. the extent of contracts offered, and the associated conditions, to successful applicants; and
 - o. any other related matters.

1.7 On 2 March 2015 the Senate granted an extension of time for reporting until 12 May 2015⁷, and subsequent extensions of time to report until, 19 August 2015⁸, 9 September 2015⁹ and then until 16 September 2015.¹⁰

Scope of the interim report

1.8 The interim report sought to draw attention to the inadequate tender timeframes, the failure to communicate a funding strategy and the lack of engagement with the sector. It examined how the short timeframes for the pre-application period, the application period and the period for negotiating grant offers were not adequate for explaining the new system, applying for funding and considering contract offers. The evidence also suggested that the confidentiality clause in the contracts made it even more difficult for applicants to give due consideration to their offers. Furthermore, the interim report discussed the insensitive timing of the announcement of the successful tenderers a few days before Christmas and the long 12 week waiting period for unsuccessful tenderers to receive feedback.

Committee recommendations

1.9 The committee's interim report, tabled on 13 May 2015, made two key recommendations:

- the Auditor-General consider a review of the 2014 Department of Social Services community service tendering process, with reference to the seven key principles of the Commonwealth Grants Guidelines; and
- the Auditor-General consider analysing the tendering process with a view to assessing the need for specific guidance on:
 - 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;

7 *Journals of the Senate*, 79–2 March 2015, p. 2202.

8 *Journals of the Senate*, 92–12 May 2015, p. 2555.

9 *Journals of the Senate*, 107–17 August 2015, p. 2959.

10 *Journals of the Senate*, 113–9 September 2015, p. 3070.

- 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 (EOI) 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.

1.10 The committee's final report makes further recommendations (see chapter 2).

Scope of the final report

1.11 Since the committee's interim report was tabled in May 2015, the committee has focused its interest on service provision in particular regions of Australia, with the intent of gathering indicative evidence of the impact of the process on whole communities. The committee gathered evidence directly from successful and unsuccessful service providers in the following selected locations:

- New South Wales South Coast (Batemans Bay and the Illawarra), as a high needs region;
- Western Sydney (Fairfield Local Government Area and surrounds), as a metropolitan area with a significant culturally and linguistically diverse community; and
- Geraldton in Western Australia, as a remote area.

1.12 The committee particularly examined:

- emergence of service gaps;
- sector diversity, particularly the loss of smaller organisations;
- access to emergency relief funding and wrap-around support;
- service provision; and
- the availability of advocacy support.

Conduct of the inquiry and acknowledgements

1.13 Since tabling of the committee's interim report, the committee received one more submission (making a total of 98 submissions published for this inquiry) and held public hearings in Canberra on 26 June 2015 and Sydney on 3 July 2015.

1.14 The committee thanks everyone who has made a written submission and/or given evidence to the inquiry. In particular, the committee appreciates the frank and forthright manner in which unsuccessful grants applicants have placed their views on the public record. The committee urges the department to consider this evidence in the spirit in which it has been provided: as constructive comment aimed at improving the effectiveness of the department's future grant tendering processes.

