



Catholic Social Services
Australia

Senate Inquiry -

**The impact on service quality, efficiency and sustainability
of recent Commonwealth community service tendering
processes by the Department of Social Services**

Submission by Catholic Social Services Australia

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EXECUTIVE SUMMARY

Catholic Social Services Australia (CSSA) welcomes the opportunity to contribute the experience of its members of the Department of Social Service (DSS) grant funding process. This submission contends that this process has undermined the sector's capacity to work collegiately, among peers and with Government, to bring about positive social outcomes for people who are vulnerable and experiencing disadvantage. CSSA members are committed to the work that they do. They partner with Government, and with other non-government organisations, to deliver support to those who need it most to bring about long term positive outcomes for clients, families and communities. They do this with regard for all stakeholders, especially clients, and including funding bodies.

The CSSA network's experience is that the manner in which the DSS process was conducted and its outcomes have created major uncertainty for agencies, communities and clients.

Even though funding offers have recently been made to those agencies that succeeded in the tender process, the uncertainty about what actual support is available to vulnerable people now, and into the future, continues to affect staff, clients and communities. It is CSSA's view that the reverberations of this disruptive and unprecedented change will continue to be felt for many months and years to come.

Many of the challenges being experienced on the ground by services and clients are a result of large (federal) funding cuts, some of which were forecast in the 2014 Budget. It is becoming clearer that even greater cuts have been made as fewer funds are being allocated in this DSS process than were originally advertised. These funding cuts alone have created upheaval for providers, clients and communities more broadly.

In addition to dealing with the impacts of less funding for crucial social services, the agencies concerned also experienced more stress and anxiety as a direct result of the complex and often confusing DSS process. Valuable time and resources have been taken away from front line service delivery in order to engage with the application process. Our agencies responded in good faith, drawing on the depth of their extensive experience and well-established outreach. The outcomes of the grants process, however, have created even more uncertainty for the sector as applications for well-considered regional and partnered approaches to service delivery appear to have taken a back seat to a more fragmented approach to the allocation of grants.

The strengthening of 'civil society' to ensure Australia is a place where poor and vulnerable people are able to thrive depends on a strong social services sector. Funding allocation processes, such as this DSS grants process, risk running at odds with this goal, undermining rather than building on the contribution of local not for

profit services. It is clear from the experiences of CSSA members and their clients that the outcomes of the 2014 process are not in keeping with the Australian Government's stated objective to create an integrated and effective social services sector that achieves positive outcomes for those needing support.

This submission also contends that DSS did not administer this funding process in a way that is consistent with the *Commonwealth Grants Rules and Guidelines*¹.

The DSS process has had many consequences, whether intended or not, that will impact on Government itself, as well as the sector. This includes the costs borne by Government to administer the process and by service providers to participate in it, the fragmentation of local service environments and the resulting disintegration of previously well-integrated and long-established services. This model for allocating funding to social services has **not** resulted in optimal effectiveness, efficiency and value for money and should **not** be adopted by other federally funded social service programs.

In order for the Government to achieve its aims of reducing tape and providing greater opportunity for collaboration in the delivery of services and generate better outcomes for communities and individuals by effectively targeting community needs and priorities while reducing duplication and administrative burden, **CSSA recommends that:**

1. The Government works closely and intentionally with the not-for-profit social service sector to build a strong and effective partnership approach to effect social change.

This involves a commitment that future social service planning and programme reforms, including those relating to funding processes, are developed collaboratively and build on the wisdom and capacity of the social services sector to achieve the outcomes desired by Government and the community.

2. DSS implements a robust planning methodology to guide the allocation of funding for social services, including the identification of:

- a. The true costs to deliver short, medium and long term social outcomes**
- b. Current estimates of population need**
- c. Future population projections and impact on need**
- d. Authentic measures of social impact**

This would provide an evidence based model for investing adequate funding in the areas that most need it most for the time it takes to achieve tangible social impact.

¹ Commonwealth Grants Rules and Guidelines. July 2014. <http://www.finance.gov.au/resource-management/grants/>

- 3. The Government evaluates grant administration processes for social services, across all relevant Departments, to determine whether the DSS and other recent processes achieve/d the Government's objectives. This includes: reviewing the true costs of conducting competitive funding processes, to Government, to service-delivering agencies and to the communities concerned.**

This information will enable all Departments to take into account overall value for money for Government and for the community when determining the nature of future funding processes.

- 4. Government Departments model possible changes to service coverage that would result from implementing programme reforms *prior* to conducting a funding process.**

This will show possible unintended consequences and allow for risks to be addressed by working with agencies that are on the ground *before* services and clients are affected.

- 5. The Government develop a policy framework for social services that integrates its response to the Reform of the Federation White Paper, the McClure Review and other reforms that affect the social service environment, including state government reforms.**

This will ensure that funding is allocated and administered across the Federal Government in a way that ensures the social services sector is robust, coherent and supports the most vulnerable and disadvantaged in the community according to *their* needs.

1. BACKGROUND

CSSA's response to the Inquiry draws on the wealth of experience of our 59 member organisations, our social policy research, and the Catholic social teaching principles and values that underpin our work.

CSSA is the Catholic Church's peak national body for social services. For over 50 years, CSSA has assisted member agencies work towards a fairer, more inclusive society that reflects and supports the dignity, equality and participation of all people. Our 59 member agencies employ around 12,000 people, with 4,000 voluntary contributors to this work. The network provides community services to over one million Australians every year, with programmes valued at around \$600 million.

CSSA's vision is to ensure that Australia is a place where all people are treated with respect and have the opportunity to fully participate and contribute; a society in which people of all ages, especially our elders, children and vulnerable groups, have the assistance they need to live a dignified, healthy and meaningful life. To achieve this Australia needs a social support system that is strong, coherent and accessible by those who need it most.

CSSA's members work across the full range of social issues for example with vulnerable children, families experiencing relationship challenges, people experiencing mental illness, people with disabilities, people who are homeless, Indigenous people, people who are seeking asylum and people who are refugees. These services have wide ranging social and economic benefits, from ensuring children are loved and safe and have every opportunity to thrive, to securing long-term housing, support and productive employment for people whose prospects had been severely limited.

More than half of CSSA's members receive funding through programmes administered by DSS and were therefore impacted by this funding process.

Below is a guide to the content of our submission:

Chapter 2	<p>Provides comment on the Government's stated objectives for the DSS funding process</p> <p>This chapter addresses the following Senate Inquiry Terms of Reference (TOR):</p> <ul style="list-style-type: none">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.c. The evidence base and underlying program design.
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Chapter 3	<p>Outlines the CSSA network’s experience of how the process was run. This chapter addresses the following TORs:</p> <ul style="list-style-type: none"> b. The effect of the tendering timeframe and lack of notice on service collaboration, consortia and the opportunity for innovative service design and delivery. 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 wrap-around services, and the extent to which this was reflected in the outcomes of the tender process. f. The extent to which tenderers were restricted to not-for-profit services, the clarity of these terms, and whether they changed during the notification and tender process. g. The implementation and extent of compliance with the Commonwealth Grant Guidelines. j. 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. m. The extent of contracts offered and the associated conditions to successful applicants.
Chapter 4	<p>Outlines the implications of the process and its outcomes on agencies, local service landscapes and most importantly, clients. This chapter addresses the following TORs:</p> <ul style="list-style-type: none"> h. The potential and likely impacts on service users concerning service delivery, continuity, quality and reliability. i. The framework and measures in place (if any) to assess the impacts of these reforms on service user outcomes and service sustainability and effectiveness. n. The unintended consequences on other parts of the social services system and the local service landscape, including services funded by other levels of government as a result of this process.
Appendix 1	<p>Table outlining the areas of concern relating to the way the process was conducted and the impacts of the process on agencies.</p>
Appendix 2	<p>Table outlining the areas of concern relating to the outcomes of the process and impacts on agencies and clients.</p>

This submission does not address the *TOR 1. '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'*.

CSSA members are supportive of the move toward outcomes reporting and as a network CSSA has recently developed a collaborative framework for measuring family support outcomes. CSSA is currently working with member agencies as they begin to turn their attention to managing the business changes required to report in the new DSS Data Exchange. At this stage it is too early to fully understand the implications of these changes. CSSA would be pleased to meet with members of the Senate Committee in the coming months to discuss the issues covered under each term of reference.

2. GOVERNMENT'S OBJECTIVES

Grants as a vehicle to achieve a social objective

The mission of DSS is to “improve the lifetime wellbeing of people and families in Australia”². This goal is shared by the CSSA network as members support the most vulnerable and disadvantaged people to participate in and contribute to society. The programmes funded by DSS are a vehicle that enables the Government to maximise its investment and achieve its mission by partnering with social service agencies. CSSA’s members utilise funding from a variety of government and non-government sources, including DSS funding, to create service responses that meet the needs of clients and families and are tailored to their personal and community contexts.

CSSA recognises that the redesign of the way DSS administers social service grant programmes, announced in the 2014 Budget, was an attempt to integrate contractual and performance management of common services. CSSA supports the new structure and the new way of working and recognises the potential for reduced administration, reduced duplication and greater flexibility for services to create innovative client centred support.

The Government stated that

“These new arrangements will reduce tape for civil society, provide greater opportunity for collaboration in the delivery of services and generate better outcomes for communities and individuals by effectively targeting community needs and priorities while reducing duplication and administrative burden.”³

CSSA commends the Government on moving the focus away from siloed programmatic responses to difficult social problems toward an outcomes-focused and integrated approach to social services.

The importance of collaboration within the social services sector

Community organisations serve the most vulnerable and disadvantaged people and are an essential part of the social fabric of Australian community. They are embedded within a support system that facilitates both individual wellbeing and social connectedness. It is in the interest of all that governments of all levels to support and build on the capacity of these agencies to respond to individual *and* societal need.

Unfortunately, there was no engagement with the sector about the redesign and its implementation prior to its commencement. This lack of consultation about the new process and the business processes underpinning it, including the design of the funding process, disregarded the capacity and experience of the sector already working directly and efficiently with clients across the full suite of social service programmes. This ‘disconnect’ has limited the capacity of the Government to fully achieve its objectives.

² <https://www.dss.gov.au/about-the-department/overview>. Accessed 17 March 2015.

³ [Introduction paragraph Fact Sheets for each programme activity area](#). Accessed 17 March 2015.

Historically governments of all levels have attempted to formalise the way that they work with the community sector⁴. CSSA believes that the discussion about how the Commonwealth Government and the community sector can intentionally work in genuine partnership in the delivery of social support services needs to be reinvigorated. CSSA commends the work that has been done at state government level, particularly in Western Australia through the Partnership Forum⁵. CSSA members in Western Australia would be pleased to discuss the work of the Partnership Forum and how it is presently looking at the challenges of collaboration in service and funding process design.

The importance of an evidence base to underpin investment decisions

CSSA commends DSS for using the Socio-Economic Indexes For Areas (SEIFA) and other data to identify regions of need for some of the programmes affected by the DSS funding process, including Children and Parenting and Emergency Relief. This, combined with standardising regional boundaries to Statistical Area (SA) regions, reflects a commitment to move towards evidence based planning for social services.

However, this planning approach is limited as it does not include:

- 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 programme outcomes.

This information supplements the SEIFA data on community need and is essential for an evidence-based planning approach to guide allocation of funding.

As described in *Figure 1*, the planning approach undertaken by DSS was inconsistent across the programme areas. This suggests that DSS cannot be confident that programme funding has been invested in the areas of most need, nor that it will deliver the desired outcomes.

⁴ For example: [The National Compact](#) released on 24 March 2010. Note that the link to the actual documents are broken. [The Queensland Compact](#) Accessed 18 March 2015.

⁵ [Western Australia Partnership Forum](#) and associated [policy document](#) Accessed 18 March 2015.

Figure 1: Inconsistent planning approach

Programme ⁶	Planning Region	Funding Allocation	Impact on the ground
Financial Wellbeing and Capability (including Emergency Relief)	SA4 areas and/or SA2 areas	<ul style="list-style-type: none"> Application documents specified funding amounts per application at the planning region level. This amount was based on SEIFA data. Rationale explaining how the data was used to calculate the funding amounts not provided. 	<ul style="list-style-type: none"> Rationale would have assisted agencies to determine appropriate unit costing that reflects relevant outputs and outcomes for specific regions.
Community Mental Health	SA3 and/or SA2 areas	<ul style="list-style-type: none"> Application documents specified the maximum base funding amount for each SA3 and SA2 region. This amount was based on SEIFA data specifically identifying areas of high socioeconomic disadvantage and high populations of youth. Rationale of how the data was used to calculate the specified funding amounts not provided. 	<ul style="list-style-type: none"> As above
Children and Parenting Support	<ul style="list-style-type: none"> Priority areas (SA2 areas selection based on SEIFA7 and AEDI⁸ data) Non-priority areas (all other SA2 areas) State-wide and national proposals were also encouraged 	<ul style="list-style-type: none"> Up to \$150,000 per year per priority area. This amount is far less than funding that was on the ground prior to the process. Unspecified funding for non-priority areas, state-wide and national proposals. Rationale for funding limit for priority areas not provided. Rationale for no funding limits for other areas, including state and national, not provided. 	<ul style="list-style-type: none"> As above Funding cuts and loss of service delivery models in priority areas meant DSS' own priorities could not be met through this funding process. In some cases priority areas covered large distances and agencies did not apply as the capped funding would not ensure a viable service could be delivered.
Settlement Services	<ul style="list-style-type: none"> Three different application pack documents suggest that applicants define the service area based on location and demographics of target groups. Service regions are defined by statistical division (SD) and statistical sub-division (SSD) boundaries based on the 2011 ASGC⁹. 	<ul style="list-style-type: none"> Funding allocated across states/territories according to arrival rates of target groups over last 5 years. Priorities based on the type, level and location of settlement needs and the funding available to address those needs. Amounts of funding available and rationale for allocation across regions not specified. 	<ul style="list-style-type: none"> As above

⁶ This information has been sourced from DSS application pack documents from each [programme](#). (Accessed 16 March 2015).

⁷ [SEIFA Socioeconomic Indexes for Areas](#) Accessed 18 March 2015.

⁸ [AEDI Australian Early Development Index](#) Accessed 18 March 2015.

⁹ [ASGC Australian Standard Geographical Classification](#) Accessed 18 March 2015.

Comment and recommendations

For the Government, and those with whom they partner to achieve their complementary missions and objectives, the processes underpinning the administration of social service programmes must facilitate the delivery of the most appropriate support to the clients in most need.

CSSA believes that the lack of support for partnership approaches with the community sector and inconsistent and flawed planning methodologies have directly contributed to the fragmentation of the sector and uncertainty of service availability for clients (discussed in Chapters 3 and 4 of this submission). These unintended outcomes of the funding process diminish the ability of the Government to achieve its own objectives.

In addition, the planning approach taken by DSS is not consistent with the following principles of the *Commonwealth Grants Rules and Guidelines*¹⁰:

- Robust planning and design
- Collaboration and partnership
- Proportionality

In order to ensure the Government achieves its objectives across social services and conducts future grant reform processes in line with the principles of the Commonwealth Grant Rules and Guidelines, including engaging with the social services sector, CSSA recommends:

- 1. The Government works with the community sector to build a strong and effective partnership approach to effect social change.**
- 2. DSS implements a robust planning methodology to guide the allocation of funding for social services, including the identification of:**
 - a. The true costs to deliver short, medium and long terms social outcomes**
 - b. Current estimates of population need**
 - c. Future population projections and impact on need**
 - d. Authentic measures of social impact**

¹⁰ [Commonwealth Grants Rules and Guidelines, July 2014](#). Accessed 17 March 2015.

3. CSSA MEMBERS' EXPERIENCES OF THE PROCESS

CSSA members report they experienced the following challenges as a result of the application process:

- The timing of the process including the timeframe to prepare applications; the timing of announcements of successful applicants and of announcements of extensions to existing agreements; and the timeframe to negotiate grant agreements were all inadequate.
- The complexity of the process undermined transparency and probity.
- The inadequacy of the DSS communication channels and the inconsistency of information added to existing confusion and anxiety about meeting application deadlines.
- The DSS IT systems were inadequate for supporting the process.

These issues are further explored in Appendix A. CSSA suggests that DSS could have avoided, or at least mitigated, the risks associated with these challenges by undertaking more consultative planning, systematic evaluation at pertinent stages, and user-testing of the resulting systems.

Timing

CSSA members found it challenging to prepare multiple applications within the five-week timeframe while simultaneously continuing on the ground service delivery. Smaller agencies were particularly impacted, and found themselves at a significant disadvantage compared to large organisations that had more resources available to prepare and write multiple applications.

The programme guidelines stated clearly that DSS was seeking applications that involved formalised collaborative partnerships. Negotiations to fully explore the nature and contributions of these partnerships require more time than that allowed under the five-week application period. The unrealistic timeframe set by DSS is an example of how the process did not take into account how the community sector operates on the ground. By not allowing sufficient time for agencies to develop innovative and collaborative proposals, DSS diminished the opportunity for this funding process to achieve Government's 'collaboration' objectives. (Having said that, where CSSA agencies were able to build on existing partnerships to offer innovative options extending across entire regions, the DSS response was still *not* supportive - see section 5 below.)

DSS underestimated the enormity of the process and the time it would take it to adequately assess applications. Continual delays in announcements significantly impacted staff and ongoing service delivery, with agencies being unable to make necessary business decisions or provide adequate and timely information to staff. Members reported losing valuable staff that could not afford to keep waiting for DSS to announce whether existing funding would continue or not. Members were taken aback by the timing of letters to preferred applicants late on Christmas Eve, concerned that this showed a lack of respect for services, staff and clients.

Agencies were initially advised that the transition of services to preferred providers should be completed by the end of February. However, in late January the information about the new services was not widely available making it impossible for agencies that were winding down to transition clients to new services. Clients and staff were extremely stressed by this uncertainty.

Case Study: Impact of timing on clients

As a result of being unsuccessful in this process, a CSSA member agency lost funding for their Family Mental Health Support program. This service supported vulnerable children and adolescents. Throughout January and February this agency started to transition clients to other service providers. They have found it extremely difficult to find appropriate services for these clients. The options are limited as other services in the region already have three-month waiting lists.

To deal with the impact of delays to the finalisation of the process DSS offered a number of extensions to existing contracts. This was counter-productive and caused additional problems for services that had already commenced winding down of services. The Government announced these extensions without understanding the effort involved to wind services down.

Case Study: Extensions to contracts counter-productive

Several CSSA members were in the process of winding down services. They had commenced terminating leases and working with staff to find redeployment opportunities. They were working with clients to resolve issues relating to transitioning to new services, where this was possible. Agencies then received notice of extensions to funding. In one case the staff could not be redeployed and had resigned. The extension posed a dilemma for the agency as taking on new clients for a short period may not be in the best interests of clients. It also cost the agency additional resources to re-establish the service to honour the extension to the funding agreement.

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.

The way that DSS has communicated with unsuccessful applicants also implies a lack of regard for the sector. Members that want to understand where they did not meet the criteria or were not competitive against other applicants were given only a day to register for feedback. CSSA notes that DSS has given itself 12 weeks to provide a response. This is in stark contrast to the five weeks agencies had to apply.

Probity and transparency

The new programme guidelines and application documents articulate new programme policy. Although there was some standardisation of requirements across all programmes, there were differences in the details for each programme area. The combination of standardisation of some requirements with inconsistent approaches to others gave rise to significant confusion. Although some clarity emerged as DSS responded to our members' requests, the overall confusion, and potential misunderstanding, has implications for the perceived fairness of the process and therefore the degree probity and transparency underpinning it. (The way information was clarified is addressed below as a separate issue.)

Areas of confusion or inconsistency included:

- No consistent approach to eligibility criteria, with quite different criteria specified in the different programmes.
- Confusion about which areas of the Parenting Children Programme were seen as priorities.
- No consistent approach to budget requirements across programmes.

A specific probity concern raised by many members is that the programme documentation did not articulate the methodology for awarding funding between applicants within regions, including at the location level. The programme documentation states that all criteria are equally weighted. However, how did DSS determine which agency would be successful for funding when some applications were at the national level, some at the state level and some at the regional level?

Several CSSA members are left with questions about inconsistencies between the information in their letter indicating that they were preferred applicants at a regional level, and the actual offer relating to activity in only part of the region.

Case Study: Unanswered questions about being a preferred applicant but not successful for what you applied for

A CSSA member received notification that they were preferred applicants for Community Mental Health funding in a particular region 'Because of their demonstrated service quality and experience'. The actual letter of offer, however, referred to less than half of what the agency had applied for, and for only part of the region in question. The offer, in spite of the wording accompanying the 'preferred applicant' notification, did not take account of the agency's significant expertise and experience at several locations across the region. A region-wide service would have offered better value for money, economies of scale, pooling of considerable expertise and capacity to build on existing, well-trusted community relationships. DSS's more compartmentalised approach to servicing the region risks fragmentation of services and, with far less opportunity for optimising existing, high quality infrastructure, inefficient use of resources.

This agency now takes on the cost of winding one service down and starting one up in a new location within the region in which they were supposedly deemed the preferred applicant – but now without capacity to draw on 'critical mass'. This raises questions about transparency and how funding was allocated within regions. How did DSS determine successful applicants at the location level when the application was at the region level, and ensure optimal service availability across the region?

Inadequate communication processes

The amount of information DSS was communicating via email, website and over the phone was overwhelming.

Generally CSSA 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.
- 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.

Case study: Volume of communication overwhelming

On 16 June 2014, **prior to the advertising of the process**, DSS released its first of many FAQs. This document contained 277 separate questions.

FAQs, Fact Sheets and email alerts were released daily throughout the process. It was difficult to keep track of the information and the website soon became impossible to navigate.

The need to provide continuous clarification is further evidence that DSS did not allow enough time to prepare clear programme documentation. Best practice for communicating new information in granting processes is to issue official addendums to all potential applicants at the same time. Unfortunately the management and communication of information was haphazard and unsystematic indicating that it is unlikely DSS can be sure that probity was maintained.

DSS IT systems to support the process

CSSA members experienced difficulties with the IT system designed to support the process. The application form design was problematic and members were finding 'glitches' right up until the due date. DSS made changes to the forms only days before applications were due. There were ongoing problems with the lodgement system and during the application submission period DSS undertook a system upgrade that led to a system crash. Some agencies were unable to submit their applications and those who did could not receive confirmation that they were received for several days.

Unfortunately the systems issues further illustrate that DSS underestimated the resources needed to administer the process.

Cost of the process

CSSA members invested significant resources to participate in the application process. In the application form DSS asked for estimates in terms of time agencies spent on the process. Unfortunately the highest number able to be put into the form was 99 hours. Figure 6 shows an estimate of the average costs to CSSA members. The last-minute withdrawal of funding for particular grants and other cuts means that there is little possibility that this investment will be returned.

Case Study: Costs to agencies to participate

Of a sample of 23 CSSA members who submitted more than one application, on average 72 staff hours were spent on each application. This equates to 2 FTE weeks *not* attending to other daily work. On average 7 staff worked on each application. Even using conservative estimates the costs to each agency would be on average no less than \$3,000 per application.

Thus far the enormity, complexity and breadth of this process have significantly *increased* the red-tape burden for the sector. The new grant agreements, although streamlined, have the same reporting requirements as previous iterations. In addition, they include new reporting processes via the DSS Data Exchange, but with no additional funding to implement.

The cost of this process to Government and to community organisations needs to be understood so that they can be weighed against whether or not the government achieved its outcomes through the process. This information is needed to reassure the community that the approach for conducting future funding processes will in fact be in line with the principle of proportionality.

Comment and recommendations

DSS underestimated the enormity of the process and was unrealistic about the resources and systems that needed to be in place in order to effectively and efficiently manage the process. DSS did not allow itself the time to develop and test the programme documents or the IT system. Instead, DSS shifted the risk to the sector and agencies found themselves compensating and, ultimately, paying significantly for the decision to undertake such a major competitive funding process.

In addition, the approach taken by DSS to manage the application and assessment process is not consistent with the following principles of the *Commonwealth Grants Rules and Guidelines*¹¹:

- Robust planning and design
- Collaboration and partnership
- Proportionality
- Probity and transparency

¹¹ [Commonwealth Grants Rules and Guidelines. July 2014](#). Accessed 17 March 2015.

The issues faced by the sector, outlined above, suggest that DSS did not use best practice for conducting the funding process. This brings into question whether the process was fair and therefore whether the Government achieved its desired objectives to allocate the available funding so that it achieves the best outcomes for clients and value for money for Government.

In order to ensure the Government achieves its objectives across social services and conducts future grant reform processes in line with the principles of the Commonwealth Grant Rules and Guidelines, including conducting a fair and cost effective process, CSSA recommends:

- 3. The Government evaluates grant administration processes for social services, across all relevant Departments, to determine whether the DSS and other recent processes achieve/d the Government's objectives. This includes: reviewing the true costs of conducting competitive funding processes, to Government, to service-delivering agencies and to the communities concerned.**

4. IMPACT ON THE SOCIAL SERVICE SYSTEM

CSSA members report they are experiencing the impacts on the ground as a result of the funding process: These impacts are further explored in Appendix B. In summary members are seeing the results of inadequate funding to deliver medium and long term social outcomes, fragmentation of the social services system and a shift to supporting people in crisis. CSSA suggests that DSS could have mitigated these effects by undertaking a comprehensive mapping of the possible consequences on local service systems of decreased funding and changes to service models prior to conducting the funding process.

Inadequate funding

It appears from DSS evidence at Senate Estimates¹² in February 2015 that the amount of funding offered through the grants, particularly for settlement services and emergency relief, is less than that announced in the application process. The lack of public information about the services that will be funded, which agencies will deliver the services and the degree of funding available make it impossible at this time to determine the extent and depth of the cuts to the sector, let alone implications for clients.

The likely impact of these funding cuts only became clear to members part-way through the funding process. The grant agreement negotiation process has been complicated by the fact that the actual amount of funding available was less than the previously stated amount and for some programmes the timeframe for the grant agreements have been reduced. At the same time, DSS appeared to be expecting the grant agreement to include the same outputs and outcomes as previously nominated. This is particularly the case for settlement services and emergency relief.

Case study: Inadequate funding

A member agency applied to expand its settlement support service from one region to two. They were the successful applicant but were offered the same funding that they receive presently for the one region to now deliver additional outputs and outcomes to both regions.

There is no benchmark range for unit price that takes into account the true cost of service delivery and the actual amount the government is prepared to pay for the outcomes it desires. The grant agreement negotiation process is fraught with unrealistic expectations of what can be delivered in the short, medium and long term, limiting the community organisations' capacity to effect long term social change.

¹² [Community Affairs Legislation Committee Senate Estimates 25 February, 2015](#). Accessed 17 March 2015.

Fragmentation of the sector

The funding documentation suggested that the Government valued and desired to strengthen the way that local agencies work with one another for the benefit of clients and communities. Contrary to this aim, the lack of planning and failure of key systems to support the funding process have led to outcomes on the ground that indicate that there has been a fragmentation of the sector affecting both clients and services.

There is a great deal of confusion for clients and service providers about which services will remain, and which new services, if any, will become available to replace those that are to close. This appears to be particularly relevant for access to emergency relief funding. It is unclear which agencies in local communities have been successful. This is hampering efforts to transition clients from programs that are closing to new providers, if indeed new services have been funded.

Where members are part of a consortium, the negotiation process with partner organisations is proving complex, as the funding offered to the lead agency is less than for the amount for which consortium partners entered into agreement. As discussed above, lead organisations have less funding but are expected to deliver more outputs. Many are now reconsidering all partnership arrangements across their agencies, even those not directly affected by the DSS process. This has consequences downstream for agencies that have subcontracting arrangements in place. The implications of these partnership renegotiations are still to be fully understood. However it is not unreasonable to assume that they may impact on the viability of some smaller services.

It also appears that as a result of the outcomes of the process the sector is losing the valuable expertise of small organisations in working with very disadvantaged clients. This is especially the case with small Aboriginal and other culturally specific organisations. This decline in diversity of organisations will be a significant loss to the local service landscape and negatively impact on specific population groups that are already at increased risk.

Lack of understanding of unintended consequences

Local service systems are characterised by interconnections among a diverse range of community support services. Together, agencies seek to run integrated services that meet the needs of individual clients *and* communities. Programme reforms, including large funding cuts such as the sector has seen through this process, have flow-on effects throughout the system.

In evidence to Senate Estimates¹³ in February 2015, DSS stated that they are currently mapping the impact of the funding process on the ground to identify service gaps. CSSA is concerned that this mapping was not done *prior* to making decisions to allocate funding. This shows a lack of understanding of the social services system by DSS and a lack of

¹³ Hansard pages 59-60 [Community Affairs Legislation Committee Senate Estimates 25 February, 2015](#). Accessed 17 March 2015.

capacity to ensure that unintended consequences are identified and risk is managed throughout the funding process.

CSSA members report that they are already seeing service gaps, and the impacts of these, on services and clients. Of great concern to CSSA members are the many vulnerable clients and families who would clearly benefit from early intervention and prevention programs. If funding is directed away from prevention and early intervention, these are the very people who are likely to require crisis interventions in the future.

This redirection of effort is contrary to the vast evidence that investment in prevention improves immediate and long term outcomes for clients and communities, and decreases dependence on specialist and statutory interventions. It is also contrary to the objectives of the Australian Government's Framework for Protecting Australia's Children¹⁴.

Case study: Shifting from early intervention

A CSSA member ran education and support groups for men at risk of becoming perpetrators of family violence. As a result of the cessation of the Specialised Family Violence programme this agency can no longer fund these early intervention services. They anticipate that these clients and their families, without *early* intervention, are more likely to require more intensive support through specialised support services, shifting the demand to already over-subscribed services.

In a number of states, state government funding cuts, combined with the DSS funding cuts and changes to services, have served to increase demand for services, resulting in long waiting lists, particularly for early intervention support. This contributes to ongoing cost shifting between levels of government. The sector and clients are caught between two tiers of government that have the same aims and objectives to see people supported so that they can live well but do not have a coherent or integrated understanding of how a strong social service sector supports this goal.

Case study: Caught in the gap

The Carmody Report¹⁵ into child protection in Qld (released 2013) noted that the increasingly risk averse approach to child protection over the past 10 years has put an even greater burden on the statutory sector, and resulted in over-reporting, resource wastage and an over-crowded Out of Home Care system. The report recommendations focus on diverting resources from the statutory system to early intervention and support. A CSSA member agency in Queensland has experienced an increase to its waiting list of up to 300 referrals for support services relating to child safety matters.

The changes to the Child and Parenting Programme on the ground will exacerbate this demand. If parents are not able to get the support that they need the burden will shift back to the statutory system.

¹⁴ [Protecting Children is Everyone's Business: National Framework for Protecting Australia's Children 2009–2020 – Second Action Plan 2012–2015](#). Accessed 17 March 2015.

¹⁵ [The Carmody Report](#) Accessed 15 March 2015.

Comment and recommendations

The Commonwealth Government is progressing social reform processes that will result in significant policy shifts for people experiencing disadvantage. Government's response to the Federation White Paper and the McClure Review will impact on the social service system and the way that it supports the most vulnerable and disadvantaged people into the future.

It is essential that the effect of decisions coming from these reforms on the social service system are well understood by all stakeholders. Governments of all levels will need to partner with the community sector to ensure that the social services system is supported to adapt to the changes in the needs of clients and decisions about how the system is resourced and administered into the future.

CSSA would like to see the Government's intention for the social services system mirror its stated mission of improving the lifetime wellbeing of people and families in Australia, to the benefit of all society.

In order to ensure the Government achieves its objectives across social services and conducts future grant reform processes in a way that enables the community sector to provide support that brings social change, CSSA recommends:

- 4. Government Departments model possible changes to service coverage as a result of implementing programme reforms, including funding cuts, prior to conducting a funding process.**
- 5. The Government develop a policy framework for social services that integrates its response to the Federation White Paper, the McClure Review and other reforms that affect the social service environment, including state government reforms.**

Appendix 1 – How was the process run?

Area of Concern	Description	Impact for CSSA members
Timing	Inadequate time to prepare and submit applications	<ul style="list-style-type: none"> • Simultaneous preparation of multiple applications within the five-week timeframe, while continuing on the ground service delivery, placed a significant burden on human resources. • Smaller agencies were particularly impacted, and found themselves at a significant disadvantage compared to large organisations that could access more resources to prepare and write multiple applications. • DSS provided <i>daily</i> additional or clarifying information as problems with its systems and inconsistencies in the documents were identified. This added further pressure under the timeframes as members needed to factor in additional time to review the new information and make necessary changes to their applications. • The application documents made it clear that DSS was seeking applications that included formalised collaborative partnerships. Negotiations to fully explore the nature of these partnerships and come to mutual agreements require more time than the five week application period.
	Timing of announcements	<ul style="list-style-type: none"> • DSS underestimated the enormity of the process and was unrealistic about the resources and time required to complete the assessment process. • Continual delays in announcements significantly impacted staff and ongoing service delivery, hampering agencies' capacity to make necessary business decisions or provide adequate and timely information to staff. • Members reported losing valuable staff who could not afford to keep waiting for DSS to announce whether their program would continue or not. • The sending of letters to preferred applicants late on Christmas Eve shows a lack of respect for services, staff and clients. • Agencies were initially advised that the transition of services to preferred providers should be completed by the end of February. However, in late January the information about the new services was not widely available, making it impossible for agencies that had to close services to transition

Area of Concern	Description	Impact for CSSA members
		<p>clients to new services.</p> <ul style="list-style-type: none"> • To deal with the impact of delays to the finalisation of the process, DSS offered a number of extensions to existing contracts. This proved to be counter-productive, causing additional problems for services that had commenced winding down, lost staff, not renewed leases on buildings and were no longer taking new referrals.
	<p>Timing of period of negotiation and feedback</p>	<ul style="list-style-type: none"> • Negotiation for funding agreements has been a rushed process with agencies feeling pressured to sign agreements without fully being able to understand the implications of funding cuts and how this will affect agreements with partners. • Unsuccessful applicants were given only <i>one</i> day to register for feedback for unsuccessful applications. • Members have noted that DSS has given itself <i>12 weeks</i> to respond to agencies with feedback (more than double the time agencies were given to apply).
<p>Complexity of requirements</p>	<p>Although there was some standardisation of requirements across the programmes, there were differences in the details for each programme area.</p>	<ul style="list-style-type: none"> • The enormity and extent of the process and the need to understand the different nuances of requirements for each individual programme meant members had to divert resources from on-the-ground work to analyse and project manage the application process. • For analysis of the resource implications see Appendix 2
<p>Communication of information</p>	<p>The complexity of the requirements and the process itself created an enormous communication challenge for DSS. The lack of clear, consistent and accessible advice puts doubt on the probity of the process.</p>	<ul style="list-style-type: none"> • The framework for the grants was confusing and not communicated clearly. Significant areas of confusion include: <ul style="list-style-type: none"> ○ Different eligibility criteria across the various programmes ○ Confusion about priority areas for the Parenting Children Programme ○ Different budget requirements for different programmes • Members received conflicting advice from help desk attendants and FAQs. • The FAQs were difficult to access and contained unclear and contradictory advice. They were not logically organised and were difficult to keep track of. • The DSS Grants team was unable to provide detailed information in relation to specific streams and

Area of Concern	Description	Impact for CSSA members
		<p>programme areas. Depending on the state, some members were able to access programme specific information from DSS state offices.</p> <ul style="list-style-type: none"> • 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. • 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 in budgets. • Overall the poor communication of key information increased the preparation time for members as time was spent on trying to understand what was required, rather than responding to the requirements.
Transparency and probity	<p>There is evidence of a lack of transparency and probity in the process from the way DSS allocated funding to the use of different approaches for for-profit providers and not-for-profit providers.</p>	<ul style="list-style-type: none"> • The programme documentation does not articulate the methodology for awarding funding between applicants within regions. For example several CSSA members were successful applicants for a particular program in a region but in the letter of offer they were successful for only <i>some</i> services within that region – despite already having existing services across that region. • For-profits were permitted to submit bids in a different format whilst not-for-profits were restricted to pdf format only. As there were major IT problems (as discussed below), this different treatment suggests a possible probity breach.
DSS infrastructure	IT	<ul style="list-style-type: none"> • The Department undertook a system upgrade during the submission process which led to a system crash - this caused considerable stress for agencies that were unable to submit applications or were unsure if they had been successfully - submitted even days afterward. • This is indicative of the underestimation by DSS of the ramifications of the wholesale grant application process
	Application forms	<ul style="list-style-type: none"> • The word-limit functionality was not accurate. The character count overrode the word count, such that the actual number of words could be 100 less than the limit in order to fit within the character limit. • The Department continued to make changes to forms only days before applications were due.

Appendix 2 – How has the process impacted the sector, clients and communities?

Area of Concern	Description	Impact on sector, clients and communities
Costs of the process	Cost to agencies to undertake the application process means less funding for other things that benefit the community	<ul style="list-style-type: none"> • CSSA members invested significant resources to be able to participate in the process. • The last-minute withdrawal of funding for particular grants means that there is no possibility that investment for these will be returned. • As part of the application form DSS asked for estimates of how much time agencies spent on the process. Unfortunately the highest number able to be recorded in the form was 99 hours (several members spent more time than this and as such the data recorded by DSS will not be accurate). • A sample of 23 CSSA members that submitted more than one application spent, on average, 72 hours per application. This equates to 2 weeks away from other daily work. On average 7 staff worked on each application (not including where consultants were involved).
	Costs associated with changes to evaluation, data collection and reporting requirements have not been taken into account	<ul style="list-style-type: none"> • The new reporting requirements associated with this process will require changes to data collection and reporting systems and business processes. • Agencies are required to allocate a percentage of funding to evaluation and innovation. • DSS has not included funding for the implementation of these changes in the offer of funding to successful applicants. These costs will need to be covered by agencies and therefore taken from on the ground service delivery.
Inadequate funding levels	Funding offered does not reflect the funding available, indexation and GST	<ul style="list-style-type: none"> • It appears, from DSS evidence at Senate Estimates and anecdotal evidence on the ground, that the amount of funding offered through the grants, particularly for settlement services and emergency relief, is less than that announced in the application process. • The indexation level offered with these grants is inadequate to sustain services at the same level across the years of the contract. • DSS has included GST within the funding amount in the grant (formerly, contracts

Area of Concern	Description	Impact on sector, clients and communities
		<p>reflected figures <i>not</i> inclusive of GST). This is effectively a cut of 10%.</p> <ul style="list-style-type: none"> Length of grant agreements was decreased for some programme areas. This decrease in time announced after the application process closed affects the value for money proposed in affected applications and decreases the capacity for services to achieve medium and long term outcomes for clients and communities.
	Offers of funding do not cover the costs of providing the services to deliver the outputs or outcomes	<ul style="list-style-type: none"> DSS has complicated the negotiation process by not offering the amount of funding agencies applied for, while still expecting the outputs and outcomes relevant to their in their application/s. This is particularly the case for settlement services and emergency relief. There is no benchmark for unit price or unit costs.
	Offers of funding do not include costs to establish services	<ul style="list-style-type: none"> Several CSSA members are faced with closing some long-established services and programs while setting up new services in new locations in the same region, but with limited, if any, opportunities for staffing continuity due to the changed location and timing. This means a loss of valuable expertise and experience, often built up over many years. The costs, including the loss of opportunities to build in economies of scale (when the offer does not match the broader scope of the application), are not covered in the new grant funding.
		<ul style="list-style-type: none"> The cost of redundancy payments is also born by agencies as neither old nor new DSS contracts provide for this This means more money taken away from on-the-ground services
Fragmentation of existing local service partnerships	Loss of smaller and local agencies	<ul style="list-style-type: none"> It appears that as a result of the outcomes of the process the sector is losing the valuable expertise of small, locally connected organisations working with very disadvantaged clients - this is especially the case with small Aboriginal organisations. This decline in diversity of organisations will be a significant loss for clients.
	Uncertainty of service availability and accessibility	<ul style="list-style-type: none"> There is a great deal of confusion for clients and service providers about which services will remain, and which new services will become available, if any, to replace those that

Area of Concern	Description	Impact on sector, clients and communities
		<p>are to close. This appears to be particularly relevant for access to emergency relief funding.</p> <ul style="list-style-type: none"> It is unclear which agencies in local communities have been successful. This is hampering efforts to transition clients from closing programs to new providers (if indeed new services have been funded).
	Complex subcontracting negotiations	<ul style="list-style-type: none"> Where members are part of a consortium, the negotiation process with partner organisations is proving complex where the funding offered to the lead agency is less than that applied for. Lead organisations are now reconsidering all partnership arrangements across their agencies, even those not directly affected by the DSS process. This has consequences 'downstream' for agencies that act as sub-contractors. This uncertainty of arrangements may have longer-term viability implications for these services.
Lack of understanding of unintended gaps and consequences	Increased demand for services	<ul style="list-style-type: none"> The lack of increase in funding for services, including early intervention services, does not recognise the increased areas of need for services. There is evidence of increased waitlists numbering more than 300 people for education and life skills services in regions in on region alone. The cuts and changes to services through this process will only exacerbate the unmet demand.
	Combination of implications from recent state government funding cuts	<ul style="list-style-type: none"> In a number of states, DSS funding cuts and changes to services are further compounding state-based issues such as funding cuts and reprioritisation of services, resulting in even longer waiting lists for services.
	Impact of cessation of Federal Government Specialised Family Violence Support program.	<ul style="list-style-type: none"> Due to the Specialised Family Violence Support programme no longer being funded, several CSSA members have been forced to close particular services, or are re-focusing other services, with considerable upheaval for staff, in an endeavour to meet the needs of those in crisis. This means either a significant gap in services for those in crisis, and/or less resources for early intervention and prevention services.



Area of Concern	Description	Impact on sector, clients and communities
	Inadequate mapping by DSS before the process to indicate areas that will be adversely affected	<ul style="list-style-type: none"><li data-bbox="956 296 2033 384">• The lack of transparency in identifying which services are to be provided, by whom, the degree of funding to be made available and agreed scope, make it impossible at this time to determine the full extent and depth of funding cuts to the sector.

