



14 July 2017

The Commissioners,
Human Services Inquiry
Productivity Commission
Locked Bag 2, Collins Street East
Melbourne Vic 8003

Dear Dr King and Mr Spencer,

Thank you for the opportunity to comment on the Productivity Commission's Draft Report into Reforms to Human Services. In this submission, CSSA has focused on responding to the Commission's findings and recommendations for Social Housing and Grant Based Family and Community Services.

Catholic Social Services Australia (CSSA) is the Catholic Church's peak national body for social services. Our vision is for a fairer, more inclusive Australian society that reflects and supports the dignity, equality and participation of all people. Our 52 member agencies are the frontline service providers caring for and directly assisting some 450 000 people across 650 sites nationally.

CSSA's response to the Commission's recommendations is based on our belief that Australia's human service system is both a universal entitlement and social safety net, able to be accessed by anyone in need, especially those vulnerable families and individuals often with complex needs. We start from the position that our human services system must prioritise the dignity of the individual over issues of administrative efficiency. The system must also be adequately resourced and sustainable. It is through this lens with offer our comments.

At the outset, we want to acknowledge the enormity of the task undertaken by the Commission in having to consider these six important human services in such a limited period. Despite this, the Draft Report provides a very helpful analysis of some of the key issues affecting the human services systems and offered some important guidance, in the way of recommendations.

As outlined in our submission of 27 July 2016, it is our view that one of the most pressing needs in social services at present is addressing unmet demand and the inability of the vulnerable and marginalised in our communities to access services. The recommendations in this draft report neither adequately acknowledge nor address the undersupply in family and community based services or social housing. Whilst some of the recommendations may assist in more efficient service delivery through better planning and coordination it is difficult to assess how much additional resourcing is directed towards addressing unmet demand. This goes to our second concern which is the lack of modelling of the various recommendations and their financial implications on the Australian and State/Territory Governments budgetary position.

Attachment A is our detailed response to the Commission's analysis and various recommendations concerning Social Housing and Grant Based Family and Community Services. A brief summary of these issues is outlined below.

Social Housing – Chapters 5 and 6

- CSSA agrees with the Commission that the current system of social housing is broken (p145). The shared view of CSSA members, is that there is a massive undersupply of social housing stock;
- CSSA contends that the private rental market has failed to be an adequate substitute for social housing and the report fails to address the shortage of social housing or the current barriers that already exist in the private rental market for eligible social housing tenants;
- CSSA suggests that the Commission reassess the assumption that the private rental market will perform the same role as social housing and will remediate the housing problem through housing assistance payments, along with tenancy services. However, if the Commission is firm in its position on this then it should provide evidence as to how its recommendations will overcome the limitations of the private rental market. In particular, how it addresses the social, institutional, financial or regulatory barriers affecting access of low income and vulnerable households seeking secure, suitable and affordable housing; and
- We encourage the Commission to provide modelling that a 15% increase in Commonwealth Rent Assistance (CRA) would be sufficient to overcome housing affordability stress given in 2015–16, 41.2 per cent of all CRA recipients were in housing affordability stress.¹ We suggest that the Commission also address how in an unregulated rental market, a 15% increase in CRA would not lead to a commensurate increase in rents.

Grants based family and community services - Chapter 7

- CSSA supports the general direction of the Commission's recommendations concerning better mapping, needs analysis and coordination by government agencies in the development and commissioning of family and community services;
- CSSA supports the development of an outcomes based framework for family and community services however caution against any move to attach payments to the framework until such time as the outcomes based framework is bedded down and issues such as risk transfer and contractual controls are settled;
- CSSA suggests an inclusion of an additional recommendation which calls for the creation of a flexible ancillary/incidental fund facility as part of future family and community services programs; and
- The Commission caution government agencies from giving preference, through commissioning, to single contract state-wide or national providers to minimise administrative costs for the agency.

CSSA is happy to discuss any of these issues further. Please contact Joe Zabar, Director Economic Policy or Liz de Chastel, Director of Social Policy on the contact details in the letterhead.

Sincerely,

A handwritten signature in cursive script that reads "Liz de Chastel".

For Fr Frank Brennan sj AO
Chief Executive Officer

Social Housing – Chapters 5 and 6

The Catholic Church has long supported initiatives, which seek to address homelessness and housing needs. About 60% of CSSA members deliver a range of housing related supports and services across all regions of Australia. These services include tenancy support programs as well as the construction, management and maintenance of affordable housing and community housing.

The Church's peak housing body, the Australian Catholic Alliance (ACHA), which CSSA is a member promotes affordable housing as a viable option for Church land. ACHA is also promoting the sharing of collective expertise across Catholic organisations keen to examine the feasibility of and models for affordable housing developments. ACHA members are concerned about the current undersupply of affordable housing, made worse by reduced home ownership due to rising costs, increasing rents and shrinking stock of social housing.

Overview Comments:

The premise and focus of this Inquiry is about how to increase competition and choice in housing, rather than to investigate how best to achieve housing outcomes for people. Social housing traditionally provides a housing safety net for low income, vulnerable families and individuals with complex needs, meaning that outcomes for this human services area would include affordable, safe, secure and appropriate housing incorporating relevant support services.

The Productivity Commission's own 2016 report on Government Housing Services² states that *social housing aims to assist people unable to access alternative suitable housing options through the delivery of affordable, appropriate, flexible and diverse social housing [emphasis added]*. Agreeing with that finding, and for reasons outlined in this submission, CSSA believes that the private rental market is an inadequate to substitute for social housing.

We agree with the Commission that the current system of social housing is broken (p145). However, the shared view of CSSA members, supported by that of other experienced service providers on the ground³, is that there is a massive undersupply of social housing stock. A simple figure to evidence the undersupply is that in 2015, 200 000 households were on public housing waiting lists⁴ (and this figure is likely to be underestimated).⁵ Furthermore, the latest Census data shows a steady decline in the rate of social housing, from 4.6% in 2006 to 4% in 2016.⁶

The Commission underplays this obvious problem of undersupply. It assumes that the private rental market will perform the same role as social housing, and that the market will be "adjusted" through housing assistance payments, along with tenancy services. Social housing provides vulnerable households clear eligibility criteria for entry, security of tenure (often long term), complaint mechanisms, support services, modified housing and for some of the housing stock with sustainability measures and in good locations close to public transport and services.

Unfortunately, low income and vulnerable households do not fare well in the private rental market due to social, institutional, financial or regulatory barriers. Some examples are:

- Tenants may face unfettered rent increases every six months (in Victoria) This may jeopardise their tenancy if they question a rent increase, and in a competitive rental market, it may be hard to secure a comparable property in the same neighbourhood⁷;
- People on low incomes have difficulties securing private rental leases in a competitive market;⁸
- In the unregulated Australian rental housing market, leases are almost always short term;⁹
- Around three in five (59%) households were homeless prior to the start of their public housing tenancy¹⁰, often due to unaffordable housing or the lack of crisis and short term accommodation available in the private rental market; and
- In Sydney and Melbourne, with over 20,000 rental properties advertised, analysis in 2017 showed that less than 40 properties were considered suitable for households on income support.¹¹

In addition, people on low incomes and vulnerable people are not homogenous and have differing ranges of needs not always catered for in the private market. For example, people with disabilities or the aged need to have modifications made to their homes to ensure mobility and safety. Priority housing access for people on the grounds of homelessness, needs for safety, or hardship can be problematic in a tight rental market. Furthermore people with little tenancy history or financial profile will find it difficult to access tenancies. The constraints in the private rental market relates to declining stock of social housing and increasing demand for the limited supply of priority social housing.

The Commission's recommendations have major budgetary implications, especially for the Federal Government with proposed increases in Commonwealth Rent Assistance (CRA). Yet CSSA is unconvinced about the government's budgetary commitment to support housing assistance. The proposed modest increase of 15% in CRA payments is unlikely to be funded by new money into housing and CSSA expects that this measure will only divert funding away from addressing the supply side of housing. In addition, recommendations for State/Territory Governments to include tenancy services delivery into the private rental market (uncosted in the Commission's report) is laudable but probably unrealistic.

CSSA additional recommendations

CSSA offers additional proposals for the Commission to consider in terms of addressing the social housing crisis:

- Acknowledge and address the undersupply of social housing and propose alternative and innovative models to increase the supply;
- Address the barriers and regulatory issues for residential tenancies in Australia – all States/Territories should be on an equal footing so a national framework highlighting best practice would assist. The recent AHURI research is a good place to start¹²;
- Development and publication of financial modelling of the various recommendations made in this area of the report to more fully understand the implications of these proposals, any unintended consequences and the identification of which housing services may lose funding as a result of funding different components of the housing assistance system; and
- Address how tenants can be transitioned out of housing assistance, which is already a challenge for governments (which the proposed recommendations of the Draft Report do not address).

Summary of response to draft recommendations

Draft recommendation 5.1 and 5.2

See earlier comments above.

CSSA believes that income payments are inadequate¹³ and agrees with the Commission that CRA is insufficient. However, we question the Commission's assumptions that a 15% increase in CRA is adequate and requests that this be modelled against existing and projected rents in major capital cities and current income support payments. In 2015–16, 41.2 per cent of all CRA recipients were in housing affordability stress¹⁴ so transparency about assumptions and the modelling of this is critical. CSSA is also concerned that in an unregulated tight rental market, a 15% increase in CRA could simply be absorbed by corresponding increases in rents.

CSSA contends that the private rental market to date has failed to provide a substitute for social housing and nothing in the report addresses the shortage of social housing or the current barriers that already exist in the private rental market for eligible social housing tenants.

CSSA is very concerned about the implications of draft recommendation 5.2 for existing public tenants who live in locations that have high private market rents. Most of these tenants have established relationships and community networks unrelated to employment and have a right to stay in their community. It is unclear how and on what criteria these tenants will need to meet to be eligible for a high cost payment. In some situations, these tenants would be vulnerable to being relocated to areas on the fringes of the cities where there are cheaper market rents but away from communities and services. For example the Redfern community in inner Sydney is an example of a vulnerable community that may be affected under this draft recommendation.

Draft recommendation 5.3

CSSA contends that with the declining rate of social housing stock, choice based letting is limited by lack of housing stock. In the private rental market, choice of housing does not exist for low income people as evidenced by the Anglicare Rental Affordability Snapshot 2017.

Draft recommendation 5.4

CSSA supports this recommendation.

Draft recommendation 6.1

CSSA supports separating tenancy support services and tenancy management.

The recommendation for providing tenancy services in the private rental market is uncoded. Again, we are concerned with the practicality of this recommendation in the current climate of *Budget Repair*. CSSA members understand that there is a backlog of tenancy support in social housing so questions how this service will be expanded given financial and workforce realities.

Draft recommendation 6.2

Supported

Draft recommendation 6.3

Generally supported but CSSA remains concerned about raising expectations for tenants of choices of housing, when the supply of social housing is dwindling.

Draft Recommendation 6.4

Generally supported but again will incur cost and administrative implications especially the short term tenure arrangements for many tenants in the private rental market.

Draft Recommendation 6.5

Supported

Grant-Based Family and Community Services – Chapter 7

The draft report makes a number of significant findings and recommendations with regard to family and community services. Key amongst these is that:

“The characteristics of family and community services do not lend themselves to the introduction of greater user choice at this time. Instead, governments need to focus on practical reforms to improve the way they select providers on behalf of users, and to plan and contract services in a way that puts users at the centre of service provision.” (p.7)

In acknowledging the limitations of using a frame of ‘consumer choice’ in human services, the Commission has rightfully focussed its attention to improving the effectiveness of government grant policy process and service delivery. While we support the general direction of the recommendations, we remain concerned as to the ability and indeed the willingness for governments to move on these recommendations. We are also concerned that the Commission makes no findings on the issue of unmet need and whether the recommendations offered will address this in part or in full.

The Commission has rightfully identified the lack of policy and service coordination between the three levels of government as a major issue of concern. Better service mapping across the three tiers of Government (Rec. 7.1) has the potential for a more systematic approach to the planning and delivery of services. A key component of recommendation 7.1 is the publication of the mapping and analysis of services. We agree with this recommendation on the basis that it is available to providers as well as families and communities.

CSSA would like to highlight that a similar reform (Rec. 7.1) was proposed in 2015. In December 2015, the Australian Government responded to the Senate Community Affairs References Committee report: *Impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services*. Recommendation no. 1 from the Committee’s report was that the Department of Social Services publish its recent analysis of service delivery gaps, to promote transparency and to encourage informed discussion of a strategy that ensures vulnerable people are properly supported right across Australia avoiding gaps. The government disagreed with the recommendation on the basis that:

“The sensitivity of some information that applicants may have provided in their applications and expectations of confidentiality limit what could be published. To identify emerging needs, the Department of Social Services continues to monitor service coverage, with input from stakeholders. The Government will continue to direct funds and services in a targeted approach to address the most critical areas of need.”

While CSSA supports the publication of data-driven maps of existing family and community services; analysis of the characteristics and needs of the service user population to assist with system and program design and targeting and service plans to address the needs of people experiencing hardship, it is clear that governments must first overcome any residual privacy issues. Once this is taken into account, we would strongly encourage governments to work with service providers in delivering on this recommendation.

In addition to government collaboration around service mapping, the Commission correctly focusses on the broader role of government as stewards of the families and community grants system. CSSA highlighted this issue through its submission and engagement in the roundtable with the Commission in 2016. As the Draft Report acknowledges, “*Stewardship arrangements are difficult to get right*” (p.4), and improving coordination, transparency and user transition from services are useful objectives.

While CSSA agrees that the provision of human services involves a mix of government, not-for-profit and for-profit organisations, it is important to recognise that commercial values are distinct from social provisioning values of generosity, solidarity, care and justice (*Laudato Si*, Pope Francis). As such, the suggestion in recommendation 7.2 that governments should be blind to the organisational type in the provision of social services is contestable. In a monopsony market, such as family and community services sector, the inherent value that for-profits bring to that market needs to be questioned, especially where demand for services continues in a context of inadequate funding.

For-profit organisations are by their very nature driven to achieve shareholder return. We know from our experience in sectors such as aged care, vocational training and childcare that the “public good” in the provision of these services is secondary to that of the profit motive for these entities. This in turn distorts the market as for-profit providers chase clientele, service types and/or localities which yield higher returns on their investment. All too often, this leaves high cost or remote localities, and clients with complex needs reliant on government and not-for-profit service providers. We are not arguing that for-profits should be excluded from the family and community services sector but rather that governments consider carefully the impacts for-profit can have on monopsony markets and how that relates to the services sector and especially the most vulnerable in our society.

Measuring outcomes

Recommendation 7.3 focuses on developing “outcome measures” for family and community services, to shape provider selection, as well as program and system level evaluations. We agree that outcome measures and outputs can be helpful indicators of user wellbeing and program success. While we welcome this outcomes framework direction, we also note a degree of caution in pursuing this. Outcomes must be determined as part of the contract negotiation process, to share information regarding what are appropriate measures, and not simply imposed by the government agencies under “stewardship”.

While the Government program should clearly articulate the aims and expected program outcomes, this must accompany flexibility for the provider to negotiate practical outcomes from their activity. Any shift to outcomes measurement must also include changes to the prescriptive and controlling terms and conditions of contracting arrangements. We also highlight the need to elaborate our collective understanding of appropriate “outcome measures” in the family and community services sector before we seek “performance based outcome payments”. As illustrated by the commissioning of employment services in Australia and the United Kingdom, “performance based outcome payments” can cause significant issues for smaller providers as well as deliver unsustainable poor quality services. Also inherent in this model is the shift of responsibility and risk from government to the provider, which restrains the capacities of non-profit service providers as well as the end users. While CSSA supports the development of an outcomes based framework for the family and community services we caution against any move to attach payments to the framework before reaching consensus on the outcomes based framework and issues such as risk transfer and contractual controls.

Stewardship and “smarter contracts”

In introducing competition, CSSA suggests vigilance regarding changes to the contracting and commissioning processes, which may diminish the participation of not-for-profit providers in service delivery, particularly small and medium size providers. Government reforms (whether deliberate or unintended) which may eliminate non-profit providers from specific services will not only contribute to a loss institutional knowledge but also have profound and long-term consequences for the individuals, families and communities.

The introduction of competition involves specific dynamics such as the emergence of large providers at the expense of small and medium providers, which contribute to the diversity of the sector. There is growing anecdotal evidence suggesting that government agencies are structuring their commissioning arrangements to encourage the entry of service providers or consortia that are able to deliver services across a jurisdiction and in some cases nationally through a single contract. While we acknowledge the issues raised by the Commission with regards to large versus small providers, we believe the bigger risk to effective service delivery is the move by government agencies to preference single contract state wide or national providers.

The issues we are concerned with are two-fold. The first relates to the rationale of governments in pursuing this option. We are concerned that the driver for this commissioning direction is more around ease of government administration and potential cost savings rather than the interests of end users. This leads to our second concern, which relates to the reconciliation between local and place based solutions against more generalised services undertaken by state wide or national providers. In raising these issues CSSA is not suggesting that there is no role for such providers, rather that governments must not prefer such providers where the interests of the end user is not the primary consideration.

The complexity of stewardship arrangements relates to the tendency for governments to maintain control over the processes without adequate consultation with different tiers of government, their agencies, service providers and users. There is an implicit assumption behind the stewardship narrative that program outcomes can be delivered through the existing policy design processes, which often exclude the lived experience of those charged with its delivery. Even when there is good consultation at the design stage, implementation will often uncover variables which even good planning and design may not identify. Therefore, policy design requires persistent and appropriate monitoring and consumer safeguards, which the Report highlights under “smarter contracting” (p. 19). We would like encourage the Commission to adopt a “smarter policy design” as a process of “continuous improvement” (p.4, 210) which takes into account the practical challenges and enduring structures of disadvantage, faced by non-profit service providers as well as their users - individuals, families and communities.

The Commission has correctly identified areas to improve contract management as:

- aligning payments levels with the efficient cost of provision;
- outcomes-based commissioning; and
- adopting more ‘relational’ approaches to contract management.

We acknowledge that there is a need to accommodate appropriate time and travel costs associated with providing services to regional and rural areas. We also agree with the need to allow for costs related to “workforce capacity and equipment, coordination with other service providers and the costs of meeting regulatory requirements.”

In encouraging robust stewardship arrangements, we would suggest the Commission recommend that:

- The promotion of consortia and single contract state/national service provision occur only after explicit consideration of service provision quality, particularly regarding the delivery of place-based services able to meet the unique requirements of local communities and families;
- This does not advantage the for-profit intermediary prime contract holders in the family services space; and
- Where such intermediaries are successful that they do not shift financial risk to the not-for profit service provider nor be able to impose additional conditions such a gag clauses on NFPs with which they contract.

Relational contracting, flexibility and not-for-profits

We commend the Commission for encouraging a more 'relational' approach to contract management. This overlaps with the Commission's benchmarks for effective commissioning for service providers, particularly in terms of enabling flexibility in contracts.

The 'relational' approach to contract management with the non-profit sector services is significant for building service quality and capacity. We also welcome the Commission's recognition of the importance of contract "flexibility" in the families and community services sector. The question of funding flexibility is a vexed one for governments. The ministerial and parliamentary accountability mechanisms, including authorities such as the Australian National Audit Office, drive a government centric reporting and contract management culture. Despite decades of discussion around the need for governments to increase their innovation and experimentation, little has changed to encourage a user centric service system. However rather than simply conceding that the challenge is too great, CSSA believes there is capacity to create greater funding flexibility within the normal program policy and appropriations framework.

Too often, we are advised that the funding parameters around programs will not allow providers to fund ancillary or incidental services that would enable better access to a program and in turn maximise the benefit to the user. Generally, the types of access enhancing services include short-term childcare, transportation, short-term accommodation support as well as education support or job readiness services. We believe that attached to each family and community services program should be a flexible ancillary services fund to support these types of access services. Such a fund maybe part of a provider's funding agreement or be pooled and administered by the relevant department to give service providers access to small grants to address the needs of particular client groups. Such a facility would only work if the program is properly funded and access to the ancillary fund was administratively user-friendly. CSSA would encourage the Commission to recommend that an ancillary access fund be included as a component of policy design and the delivery of all relevant human services programs.

Summary of response to draft recommendations

Draft Recommendation 7.1

Supported subject to addressing privacy considerations

Draft Recommendation 7.2

Generally supported however we do not accept that all organisational types are equal in the context of supporting vulnerable people and disadvantaged communities

Draft Recommendation 7.3

Supported subject to comments issues raised in the submission

Draft Recommendation 7.4

Supported subject to comments issues raised in the submission

Draft Recommendation 7.5

Supported

Draft Recommendation 7.6

Supported

Draft Recommendation 7.7

Supported



¹ AHURI '*Getting the best from the private rental sector for lower income household's* https://www.ahuri.edu.au/policy/policy-analysis/private-rental-for-lower-income-households?utm_source=website&utm_medium=homepage&utm_campaign=slider1 accessed 7th July 2017

² Productivity Commission 2016 Report on Government Services - <http://www.pc.gov.au/research/ongoing/report-on-government-services/2016/housing-and-homelessness/housing#framework> accessed 7th July 2017

³ See for example Anglicare Rental Affordability Snapshot 2017

⁴ AIHW Priority Groups and Wait Lists <http://www.aihw.gov.au/housing-assistance/haa/2016/priority-groups/> accessed 7th July 2017

⁵ Wood G., Ong, R. 2016 '*Can the private rental sector provide a secure, affordable housing solution?*' The Conversation <https://theconversation.com/can-the-private-rental-sector-provide-a-secure-affordable-housing-solution-63880>

⁶ Stone, W., Reynolds, M., Burke, T., 2017 '*Home ownership remains strong in Australia but it masks other problems: Census data*' The Conversation June 27th

⁷ Brotherhood of St Laurence 2015 Submission *Review of the Residential Tenancies Act: Security of Tenure Issues Paper* <http://library.bsl.org.au/showitem.php?handle=1/8803> accessed 7th July 2017

⁸ Article in The Age 17th June 2017 *Vanishing dream: Home ownership plummeting in Victoria* <http://www.theage.com.au/victoria/vanishing-dream-home-ownership-plummeting-in-victoria-20170617-gwt4ei.html> accessed 7th July 2017

⁹ Wood, G. op cit

¹⁰ AIHW op cit

¹¹ Anglicare Rental Affordability Snapshot 2017 *Private rental market failure* <http://www.anglicare.asn.au/home/2012/04/29/private-rental-market-failure> accessed 7th July 2017

¹² AHURI 2017 op cit

¹³ CSSA 2016 *Income to Live* <http://www.cssa.org.au/storage/1-260516-income-to-live-fact-sheet.pdf>

¹⁴ AHURI '*Getting the best from the private rental sector for lower income household's* https://www.ahuri.edu.au/policy/policy-analysis/private-rental-for-lower-income-households?utm_source=website&utm_medium=homepage&utm_campaign=slider1 accessed 7th July 2017