



A•S•U

File/Our Ref:
Your Ref:
Please quote in reply

20 March 2015

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

By E-MAIL: community.affairs.sen@aph.gov.au

**Australian
Services
Union**

**National Office
Melbourne & Sydney**

All correspondence to:

Ground Floor
116 Queensberry St
Carlton South VIC 3053

T: (03) 9342 1400
F: (03) 9342 1499
E: info@asu.asn.au
W: www.asu.asn.au

**National Secretary
David Smith**

**Assistant National Secretaries
Greg McLean
Linda White**

**Re: Senate Community Affairs References Committee inquiry into
Impact on service quality, efficiency and sustainability of recent
Commonwealth community service tendering processes by the
Department of Social Services - ASU submission**

Please find the Australian Municipal, Administrative, Clerical and Services Union
(ASU) submission enclosed.

Yours faithfully

**Linda White
Assistant National Secretary**

enc



ASU Submission

Senate Community Affairs References Committee inquiry into Impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services

Submitter: Linda White, Assistant National Secretary

Organisation: Australian Services Union

Address: 116 Queensberry Street
Carlton South, Victoria, 3053

Phone: 03 9342 1400

Fax: 03 9342 1499

Date: Friday 20 March 2015

Contents

1. Introduction	3
2. Summary of recommendations	5
3. Overview of ASU concerns regarding changes to DSS funding allocations: .	6
4. Recent federal government initiatives in social and community services funding.....	6
5. “A new way of working with DSS”: ASU concerns in detail.....	7
6. Recommendations: “A better way” of funding community services	8
6.1. An end to competitive tendering for community services	8
6.2. That for-profit providers be excluded from government funded provision of essential community services.....	9
6.3. That funding for community services be sustainable.....	10
6.4. That reform is informed by sector participation	11

1. Introduction

The Australian Services Union (ASU) is one of Australia's largest Unions, representing approximately 120,000 members.

The ASU was created in 1993. It brought together three large unions – the Federated Clerks Union, the Municipal Officers Association and the Municipal Employees Union, as well as a number of smaller organisations representing social welfare workers, information technology workers and transport employees.

Today, the ASU's members work in a wide variety of industries and occupations and especially in the following industries and occupations:

- Local government (both blue and white collar employment)
- Social and community services
- Transport, including passenger air and rail transport, road, rail and air freight transport
- Clerical and administrative employees in commerce and industry generally
- Call centres
- Electricity generation, transmission and distribution
- Water industry
- Higher education (Queensland and SA)

The ASU has members in every State and Territory of Australia, as well as in most regional centres as well.

The ASU is the national union for community services workers. Our members work in non-government, not-for-profit organisations that support people experiencing or at the risk of experiencing crisis, disadvantage, social dislocation or marginalisation. These include homelessness services, domestic violence support, community health, community legal services, services that support young people to remain engaged in education, training or employment, supports for Aboriginal and Torres Strait Islander people including legal services, and mental health services for example. In the federal jurisdiction these are services funded primarily through the Department of Social Services (DSS) and also through the Department of Health, the Department of Education and the Attorney General's Department. These organisations have been directly and indirectly affected by the recent changes to grant funding allocations from the DSS. We welcome the opportunity to ensure the voices and experiences of our members are represented in this inquiry.

The recent reforms to DSS grant funding under Kevin Andrews and new minister Scott Morrison have been nothing short of shambolic. Not only has the process been characterised by a constant inability of the department to meet timelines, it has also lacked sector consultation and evidence about the need for change. In order to protect diversity in social and community service provision and adequate service

provision profiles in communities, it is necessary to overhaul funding allocation and create a fairer model of funding a sustainable social and community services sector.

Recently the federal government has expanded the use of competitive tendering for the allocation of funding for service provision in social and community services. Federally, this has also occurred alongside significant cuts to funding in all three main portfolios responsible for funding social and community services – including \$271 million from DSS. Competitive tendering means that services must compete with each other for their funding. Larger generic service providers who employ teams of tender writers, who have economies of scale and who can demonstrate internal capacity for the provision of multiple services are at a significant and largely unacknowledged advantage in this process. It also means that effectively each funding round has the potential to become a complete reconfiguration of the service provision profile, leading to significant instability and uncertainty for services and service users as well as creating distractions that are especially detrimental for smaller services with fewer tender writing resources.

Demands to demonstrate ‘collaboration’ have forced many smaller organisations to merge or form consortia, while ignoring the fact that most smaller, specialised local services have worked long and hard to build meaningful collaborative interagency relationships with each other. Instead, services are forced to see each other as predators not partners and this may affect their service provision too.

There is little evidence in any jurisdiction that competitive tendering is effective in improving efficiency, outcomes for service users, or innovation, nor is there evidence that it reduces costs to government. In addition the inclusion of private enterprise in the social and community service provision rarely leads to less cost for government or better outcomes for services users. It is difficult therefore, to understand what the motivation for this change to funding allocation achieves except the promotion of an ideological opposition to local not-for-profit service provision and government’s role in protecting the most vulnerable members of our community.

2. Summary of recommendations

The ASU recommends:

- 1. An end to competitive tendering for community services**
It is inefficient, expensive and results in less diversity of service provision
- 2. That for-profit providers be excluded from government funded provision of essential community services**
For profit-provider should not receive tax payer money in order to make a profit out of poor and vulnerable Australians.
- 3. That funding for community services be sustainable**
Short term funding continues to have a deleterious effect on services capacity to plan for and provide community services, the government should honour its 2013 commitment to long term funding contracts with eligible providers and ensure the threshold for eligibility is fair.
- 4. That reform is informed by sector participation**
Frontline service providers have invaluable perspectives and any sector reform should, as a matter of principal, always be conducted with meaningful participation of service providers from across the industry.

3. Overview of ASU concerns regarding changes to DSS funding allocations:

The ASU submits that:

- Protecting a comprehensive and diverse service provision profile is crucial to effective and efficient community service provision.
- Smaller specialised providers are at significant and largely unacknowledged structural disadvantage in competitive tendering processes despite providing crucial and unique services, developed out of close interagency collaboration, long and deep connections to their communities and a wealth of experience in service delivery.
- Recent moves towards competitive tendering have undermined stability in the sector and severely impacted smaller, specialised community services providers.
- Competitive tendering is widely touted as achieving certain practise aims, but there is little evidence that it is more cost effective, efficient, stimulates innovation or provides improved outcomes for service users.
- Competitive tendering has a negative impact on already well established collaborative relationships as services are forced to compete with one another for funding.
- It is inappropriate that for-profit providers, driven by the bottom line, are eligible for tax payer money to profit from vulnerable, marginalised and disadvantaged people.
- Future reforms must be conducted with the input of the community services sector and their representatives.

4. Recent federal government initiatives in social and community services funding

The federal government has reformed social and community service funding, by introducing a competitive funding model for funding allocation. These reforms have scant evidence underpinning them and have only increased confusion and uncertainty in the sector. Coupled with the federal government's cuts to social security safety nets, the upheaval in the social and community services sector comes precisely at a time when demand for these services is increasing.

Not hearing Since coming into office the federal government has:

- Introduced the funding reform: "A New Way of Working with DSS";
- All federal funding is allocated via competitive tendering;
- For profit providers can now tender to deliver services;
- \$271 million has been cut from the social and community services sector over the forward estimates;

- New funding contracts were to be for 5 years (the only positive announcement in from DSS) but since Scott Morrison's appointment we understand that contracts are being issued for 18 – 24 months and yet another review has been slated.
- Beyond DSS, there have been cuts in the Attorney General's portfolio and the Department of Education and Training affecting essential social and community services
- This is occurring alongside changes to benefits and allowances and the introduction of additional requirements for accessing NewStart, changes in support to young people in training and apprenticeships and significant changes to disability support payments and the introduction to the NDIS.

It is important to note that few community services rely on a single funding stream or grant programme. In fact, many rely on funding from both state and federal jurisdictions. This means that while we may not see services shutting their doors when funding models change or funding is cut or reallocated, we do see a significant change in the profile of service provision. Emergency relief funding is a clear example of this. Emergency relief funding is allocated via DSS and is used to help people in serious crisis by providing small amounts of money to cover essentials like food, medicine, petrol, and heating or other bills. Blue Mountains Family Support Service (BMFSS) has lost its emergency relief funding in the recent DSS funding round. This means that they are likely to make two positions redundant (although they do not use Emergency Relief funding for wages) and it is also likely (although still unknown) that the Blue Mountains region will be serviced from Penrith. For people experiencing this level of disadvantage, travelling to Penrith is likely to prove difficult or impossible. In fact, the BMFSS provides petrol vouchers or money for train tickets so that people can attend job interviews, medical appointments or the Centrelink office in Penrith. This is why maintaining a community's service provision profile is so important.

5. "A new way of working with DSS": ASU concerns in detail

Treasurer Joe Hockey announced significant reforms to funding the social services sector in the 2014-2015 Budget. Called "A New Way of Working with DSS" this restructure means that all Commonwealth funded social and community services are required to participate in competitive tendering process for funding allocation. "Collaboration" between services is strongly encouraged, grant programme funding streams have been consolidated or "broadbanded" to reduce the number of service areas (this can have the effect of privileging larger generalist service providers as specialised services can struggle to find where their service might fit and thus where they should tender), and, for the first time, for-profit providers are eligible to tender. All of this signals a shift away from local, specialist social service provision.

What was initially a small glimmer of hope was the Federal Government's recognition that funding stability is important. DSS committed to having contracts allocated through the tender process for 5 years where possible. As ever, the devil is

in the detail – providers have to be approved in order to be eligible for extended contracts. In the United Kingdom, where long term funding was introduced as part of the “Big Society” reform platform requirements like minimum turnover, included to ensure viability, had the effect of making it impossible for some types of services to qualify to tender. In any case, funding contracts issued by DSS have been for 18-24 months only and another funding review has been slated for the next two years.

In addition to revamping the funding allocation process, Hockey announced that \$271 million is being cut from the social and community services sector budget over the forward estimates. In late December, the new Social Services Minister Scott Morrison announced where the \$271 million in cuts would be applied. While the government claims that the cuts only apply to advocacy services, this is not true. In addition, social service organisations, which contain a wealth of experience in confronting, managing and ameliorating disadvantage in our communities, are precisely the people who should be advocates to ensure robust policy and legislative outcomes encompass the needs and experiences of some of the most marginalised Australians.

The new DSS tender process has been chaotic. DSS could barely keep up with the volume of work and tender decisions that were due to be made in the middle of the year, were not announced until December with the decisions taking effect from 1 March, 2015. To compound matters, applicants have only been advised whether they have been successful or not. Even those services who will be providers from 1 March, have no idea of how much funding they are receiving, or in many cases, where they will be providing services. Services that have been unsuccessful remain in the dark as to where to direct clients they are no longer being funded to assist.

All of this is occurring as the federal government attempts to “repair the budget” by cutting supports to people experiencing disadvantage, young people, apprentices, people with disability, families, single parents, the sick and the poor. At the same time as government is working to increase demand for social and community services, they are cutting the very services that provide a social safety net.

6. Recommendations: “A better way” of funding community services

Social and community services form the third pillar of society’s social infrastructure, with health and education. All three are crucial to maximising opportunity and reducing systemic disadvantage. In order to do this, the community services sector needs to be person centred, diverse, fair and ethically and sustainably funded. We need to fund the social and community services sector in a way that ensures we maintain sustainable and diverse services for those in need, which are also accountable and transparent.

6.1. An end to competitive tendering for community services

Simply put, competitive tendering does not work in the social and community services sector.

i. It is inefficient

Services are often required to outlay capital to hire specialist tender writers. This is a significant barrier for smaller locally based and run community services. There are also significant costs incurred by government in the development of tender processes, most of which goes directly to the private sector.

ii. It does not promote diversity of service provision or competition

Evidence shows that where competitive tendering has been used, the result is overwhelmingly the consolidation of service providers. In the United Kingdom which recently underwent a similar experiment under its current conservative government, 60% of all government contracts are with just 100 suppliers with £4 billion with 4 multinationals, including Serco and G4S. Near monopolies are occurring in some contracted out areas of service delivery. This demonstrates that in practice competitive tendering means grassroots community organisations are cut out of funding opportunities and their local knowledge and experience in supporting vulnerable people, built up over decades, is lost.

iii. The social and community services sector operates in a fixed labour cost environment

This means that efficiencies can only be derived from reductions in quality of service, skills of staff or working conditions and security. Again, in the United Kingdom job losses have been significant, 500 000 – 700 000 jobs were slated to be axed and more than 60, 000 had been cut by 2013.

iv. It does not foster innovation

The social and community services sector must be innovative; it is the only way to improve service provision. But a competitive funding environment means services are likely to be less willing to work together sharing data, information and outcomes. Competitive tendering also disincentivises experimenting with new approaches, particularly if those things do not easily match up with the criteria and metrics used to allocate funding.

6.2. That for-profit providers be excluded from government funded provision of essential community services

It is a gross misuse of taxpayer funds for businesses that operate for profit should be able to obtain *taxpayer funding* to deliver essential government services for the poor, disadvantaged and marginalised and be able to make a profit from this work.

- In Britain, the private sector now dominates service provision that once largely fell to the public and not for profit sectors. Civil Exchange says that

53% of children in state care are in homes run privately. Yet the UK experience demonstrates that for-profit providers are notoriously unreliable and expensive in the provision of local community services and there is scant evidence that for-profit providers have better service delivery or client outcomes than not-for-profit community-based organisations. In fact, they frequently cost the government more than they save. In the UK, service failures, outright fraud and other lapses are occurring. Many private providers are seeking to end contracts with the government because of insufficient revenues.

- In the United States, a for-profit child services provider, Providence, has walked away just 12 months into a 5 year \$150 million contract because they could not make enough money out of providing foster care for children in Texas. Providence also failed to meet key performance indicators including keeping siblings together, placing children close to home, developing sufficient staff and foster care providers, and developing services to better assist the children in care.

6.3. That funding for community services be sustainable

Short term funding in 2 and 3 year cycles continues to plague the proper planning and delivery of social and community service provision.

Short funding cycles create instability. Vulnerable people in our community do not have short term problems nor do social and community service workers make short term commitments to their work, clients or communities. Services need long term funding in order to provide long-term solutions.

The constant need to re-apply for funding also means that service providers spend more time on administration or more of their money on staff to fulfil these functions, rather than on frontline service delivery.

The new policy of NSW Labor for social and community service provision includes a commitment to introducing minimum 5 year funding agreements with not-for-profit providers.

The current federal government has acknowledged the need to implement 5 year funding contracts with many community sector providers. They have, however, backed out of that commitment in the recent funding round. Nevertheless when it was made the commitment to longer term funding recognised the need for sustainable funding for the sector. Any funding model developed by future governments for social and community service provision must include a commitment to introducing minimum 5 year funding agreements with not-for-profit providers.

6.4. That reform is informed by sector participation

Listening to social and community services, clients and services users and their advocates is vital when it comes to developing and implementing reform. Both Going Home Staying Home and “A New Way of Working with DSS” have been characterised by a lack of consultation and even now some federal funding recipients are still unsure about how much funding they will be receiving, or who in their area will be providing services. The failures and mistakes of these reforms must not be repeated. To do that, governments need to work closely with the social and community services sector and their representatives to plot a way forward that addresses the needs of clients, communities and service providers.

Future reforms must be conducted with the input of the community services sector and their representatives. Those at the frontline of service delivery are committed to ensuring a sustainable and reliable sector and their participation in the development and implementation and review of policy and legislation is vital to ensure reforms achieve their intended outcomes.