



Australian Government

Australian Government response 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

December 2015

INTRODUCTION

The Government welcomes the opportunity to respond to the findings and recommendations of the Senate Community Affairs References Committee's ('the Committee') interim and final reports.

The wellbeing of vulnerable Australians remains a high priority for the Government. We also strongly value the role of community organisations in delivering services that make a real difference in the lives of Australia's families and communities.

The 2014 funding round included a mix of open, direct, and restricted selection processes.

The adoption of an open selection process meant that new organisations had the opportunity to apply to deliver services or activities, and community organisations that were already funded had the opportunity to apply to deliver new services or to deliver services in new areas. Some activities had not been open to a selection process for many years. Without having an open process, new ways of delivery and new services are difficult to identify and may not receive support from the Government.

Nearly half of the 2014 funding round was conducted through direct or restricted selection processes. This reflected the specialist nature of the services and the known expertise of the organisations selected.

The Department of Social Services' new grant arrangements and subsequent funding rounds were developed and implemented within a tight fiscal environment. To contribute to Budget repair, funding was reduced through the 2014-15 Budget and subsequent Mid-Year Economic and Fiscal Outlook by a total of \$270 million over four years.

Due to Budget decisions previous funding levels could not be maintained. The selections methods used by the Department of Social Services targeted funding towards the areas of most need, although the Government acknowledges that this does not mean that some areas of the community do not experience disadvantage.

As the Committee is aware, the Government has continued to monitor service coverage and committed further funding to address identified critical, frontline service gaps. The Department of Social Services also continues to undertake selection processes for a range of other grant programmes, which provide further opportunities for the community sector to secure funding to deliver critical services.

The Government recognises the valuable contribution of community organisations in providing evidence to this inquiry. Considerable time and effort is required to provide a submission or testimony to a Senate Inquiry, and the perspectives of the sector are a vital insight into the issues faced when seeking government funding.

The Government remains committed to ensuring its funded services deliver high quality outcomes. We are also committed to reducing red tape for community organisations. Engagement with community organisations remains a high priority and we aim to consult the sector as early as practicable in the event of any further changes to our grant programmes. The recently established Community Services Advisory Group is one such forum for community organisations to raise concerns directly and help develop ideas with the Government.

The Committee's interim and final reports provide findings and recommendations that the Government will take into consideration to improve grants processes.

Australian Government response - 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	Government Response
<p>Interim Report Recommendation 1:</p> <p>The Committee recommends that the Auditor-General consider a review of the 2014 Department of Social Services community service tendering process. This review should include an assessment of how the process fared against each of the Commonwealth Grants Guidelines seven key principles:</p> <ul style="list-style-type: none"> • robust planning and design; • collaboration and partnership; • proportionality; • an outcomes orientation; • achieving value with relevant money; • governance and accountability; and • probity and transparency 	<p>Noted – matter for the Auditor-General</p> <p>The Government, and the Department of Social Services, will assist to their fullest capabilities should the Auditor-General include this matter on the Australian National Audit Office’s work programme.</p>
<p>Interim Report Recommendation 2:</p> <p>The Committee recommends that the Auditor-General consider reviewing the 2014 community service tendering process conducted by the Department of Social Services with a view to updating the Commonwealth Grants Guidelines. Specifically, the committee draws the Auditor-General’s attention to the effect that the truncated timelines of the 2014 process had on poor engagement with the sector, which in turn has been expressed in a general sense of stakeholder disenfranchisement.</p> <p>The Committee recommends that the Auditor-General analyse the 2014 DSS tendering process to assess the need for specific guidance on the following issues:</p> <ul style="list-style-type: none"> • whether there is merit in requiring certain documentation – such as funding priorities and the selection criteria for applicants – to be in the public domain for a certain period of time prior to the commencement of the application process; 	<p>Noted – matter for the Auditor-General</p> <p>The Government, and the Department of Social Services, will assist to their fullest capabilities should the Auditor-General include this matter on the Australian National Audit Office’s work programme.</p>

Recommendation	Government Response
<ul style="list-style-type: none"> • whether stakeholders should be consulted at the outset on how best to structure the tendering process when there are multiple program rounds under consideration; • whether there is merit in setting a maximum number of program rounds that can be called for in a given time period; • whether there is merit in setting a standard that requires a minimum period of advance notice of service procurement processes; • whether there is merit in setting minimum time periods for the pre-application process, the application period and the period for successful applicants to sign a contract; • whether there is merit in setting a maximum time period for the commissioning agency to notify successful tenderers and provide feedback to unsuccessful tenderers; • the merit of a two stage process for discretionary grant funding applications, beginning with an Expression of Interest followed by a closed grant round for successful EOI applicants; and • whether there is merit in setting a standard that requires that new contracts are finalised within a minimum time prior to the end of existing service contracts. 	
<p>Recommendation 1:</p> <p>The Committee recommends 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 with no gaps.</p>	<p>Not Agreed</p> <p>The service gap analysis included data analysis, environmental scanning, mapping of existing service coverage areas, examination of the policy objectives of activities, and local knowledge from the Department of Social Services' state and territory offices. The mapping of services undertaken throughout the analysis identified where a particular geographic location had funding withdrawn, or where there were no like services to refer existing clients. This included monitoring services funded by state and territory governments, not just those funded by the Commonwealth.</p> <p>To inform his funding decisions, the former Minister for Social Services, the Hon Scott Morrison MP, also sought the views of stakeholders, including community organisations, peak body organisations, Senators and Members of Parliament.</p> <p>The sensitivity of some information that applicants may have provided in their applications and expectations of confidentiality limit what could be published.</p> <p>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.</p>

Recommendation	Government Response
<p>Recommendation 2:</p> <p>The Committee recommends that future tendering processes should be planned strategically, with a clear sense of the service gaps and areas of geographic need, and be based on an assessment of how the tendering process would enhance the capacity of the sector to meet these needs. The Committee acknowledges that in some circumstances, competitive tendering processes may not meet the needs of the community sector, and recommends the adoption of alternative processes to ensure there are no gaps in service provision in the future.</p>	<p>Agreed</p> <p>The Government remains committed to ensuring grants funding is targeted to address the most vulnerable communities and individuals who depend on services to maintain their wellbeing. The Government is looking at ways to provide more direct and specific information about funding processes in the future, within the limits of fair process and due probity. Meetings with stakeholders have been part of this process throughout 2015 and engaging with the sector will continue to play an important role in planning future grants.</p> <p>The Government notes that a mix of open competitive and direct or restricted selection processes will continue to be used in the future based on the appropriate approach for each funding round. Nearly half (12¹ of the 26 rounds) of the 2014 funding rounds were restricted or direct.</p> <p>Many of those grant activities involved in the 2014 funding round had not been open to a selection process for many years. The open selections process enabled new providers to be considered to deliver services or existing providers to offer new or different services which better matched the needs of clients and communities.</p> <p>The Government continues to focus on outcome oriented funding to ensure all policy objectives are achieved. In this respect, grants are only one type of financial arrangement offered by the Government.</p> <p>Administering funding in a way that supports services to address areas of greatest need will likely result in changed service footprints for some programmes. This adaptive and targeted approach may lead to the perception of service gaps, rather than a genuine unmet need for these services.</p>

¹ The Community Mental Health funding round included both an open selection component and a direct selection component.

Recommendation	Government Response
<p>Recommendation 3:</p> <p>The Committee recommends that the selection criteria for future tender rounds should consider a mechanism such as a weighting on the contribution small, community-based organisations provide to their community beyond the service they are directly funded to provide.</p>	<p>Noted</p> <p>The Government is committed to selecting the best organisations to deliver services to the Australian community regardless of their size. We consider many factors including the organisation's capacity to deliver the particular service, their broader organisational capacity as well as their local knowledge (where relevant) and expertise, which we recognise is an invaluable resource in the effective delivery of services.</p> <p>The Government agrees there should be mechanisms in place to ensure small organisations are not disadvantaged in grants processes. The Department of Social Services is currently considering how best to support small organisations.</p> <p>The Government notes that small organisations have continued to be highly successful in obtaining funding. Approximately 73 per cent of community organisations that received funding through the 2014 round, including those that received funding as a result of the service gap analysis, are classified as small organisations (that is, they do not have a national service footprint). This accounts for around 44 per cent of the funding received.</p>
<p>Recommendation 4:</p> <p>The Committee recommends that the Department of Social Services ensure that if organisations are not awarded a grant, any subcontract or consortium arrangement offered for the same service must be on comparable terms to those which would have been offered in a funding agreement.</p>	<p>Agreed in-principle - matter for lead consortium member</p> <p>As per the Terms and Conditions of the Department of Social Services' Comprehensive Grant Agreement, any sub-contracting arrangements established must be consistent with the obligations binding on the lead consortium member (the contracted organisation).</p> <p>The Government is committed to reducing the red tape burden for community organisations of all sizes and does not impose more restrictive requirements on organisations entering into sub-contracting arrangements as this would increase the administrative burden on all consortia members.</p> <p>The Department of Social Services' <i>New Way of Working for Grants</i> allows community organisations to take a more autonomous approach to service delivery. The broader objectives of the revised programmes allow community organisations to continually adapt to changes in their client's particular needs, while still meeting the programme objectives and requirements.</p>
<p>Recommendation 5:</p> <p>The Committee recommends that where possible, five-year contracts should be awarded to ensure stability so the sector can plan and deliver sustainable services.</p>	<p>Agreed</p> <p>The Government remains committed to the implementation of five year grant agreements, where appropriate. We recognise that five year agreements allow community organisations to better undertake long-term business planning and provide consistency of services. This ensures community organisations are able to dedicate more resources to service delivery, rather than administrative processes, in turn providing valuable support to vulnerable Australians.</p>

Recommendation	Government Response
<p>Recommendation 6:</p> <p>The Committee recommends that the privacy concerns raised in relation to the department's data exchange protocols should be resolved as a matter of priority.</p>	<p>Noted</p> <p>The Government takes privacy very seriously and is committed to ensuring effective privacy protections are in place. Safeguards for protecting and securing a client's personal information underpin the operation of the Department of Social Services Data Exchange's (the Data Exchange) systems and protocols. A privacy impact assessment (PIA) of the Data Exchange (conducted as part of the Department of Social Services' ongoing monitoring of any possible privacy impacts relating to its operation of the Data Exchange) demonstrates how the Department of Social Services is implementing its privacy law obligations.</p> <p>A summary of the findings and recommendations of the PIA and the Department of Social Services response will be published on the Department of Social Services' website when available.</p>
<p>Recommendation 7:</p> <p>The Committee recommends that advocacy support be considered a vital component of community services in future funding arrangements and is given appropriate weighting in funding assessments.</p>	<p>Noted</p> <p>The Government recognises the role community organisations, especially peak bodies, play in promoting issues important to the community services sector, particularly when organisations are championing the interests of individuals using government funded services. We are always interested in these issues and actively provide funding to numerous peak body organisations to provide valuable information to inform policy development and implementation.</p> <p>Where advocacy is listed in Programme Guidelines as a specific activity that can be undertaken using Government funding, this is taken into account when assessing grant applications.</p> <p>The Government remains strongly focused on ensuring our grants improve outcomes for families, communities, and vulnerable Australians.</p>
<p>Recommendation 8:</p> <p>The Committee recommends that community sector funding should include consistent and adequate indexation of funding (to wage price index).</p>	<p>Noted</p> <p>As outlined in paragraph 2.105 of the final report, the Government determines the appropriate indexation factor to apply to expenditure programmes. The Government takes into account the key principles of the indexation framework that was established in 1995-96 in assessing whether the consumer price index, a wage cost index, or a different indexation factor should be applied. Over 100 Commonwealth programmes are currently subject to an indexation pause, including 23 Department of Social Services programmes. The current pause in indexation was announced by the Government in the 2014-15 Budget measure Administered Programme Indexation Pause and a two year extension of the indexation pause (with some exclusions) was announced in the 2015-16 Budget.</p>

Recommendation	Government Response
<p>Recommendation 9:</p> <p>The Committee recommends that the Minister authorise publication of the final report of the NOUS review on the Department of Social Services website.</p>	<p>Agreed</p> <p>The independent review into the Department of Social Services' grants processes conducted by the Nous Group was tabled ahead of the Senate Community Affairs Legislation Committee at the Supplementary Budget Estimates hearing in October 2015 and is attached to this response (Attachment A refers). The report is also available on the Department of Social Services' website 2014 Grant Selection Process.</p>
<p>Recommendation 10:</p> <p>The Committee recommends that an urgent review is conducted of where critical service gaps continue to exist, that this review is made public and that these gaps be filled immediately to make sure that very vulnerable people get the support they need.</p>	<p>Noted</p> <p>As a matter of normal business, the Government continues to monitor the coverage and effectiveness of its grants programmes. When a potential service gap or area of critical need is identified, the Government considers the best course of action and responds accordingly.</p> <p>The Government has conducted further selection processes since the 2014 grants funding round and also funds a range of other ongoing services. These processes provide further opportunities for community organisations to receive Government funding and have ensured that funding continues to be available to meet existing and emerging priorities and community need.</p> <p>As outlined in the Government's response to Recommendation 1, the Department of Social Services will continue to monitor service coverage to identify existing and emerging need within the community.</p>
<p>Recommendation 11:</p> <p>The Committee recommends that after 18 months of operation, an independent evaluation be undertaken to determine if the outcome of the tender process has been an improvement of services, and that this review is made public.</p>	<p>Noted</p> <p>The Government uses the Department of Social Services' state and territory networks (which are important in facilitating stakeholder engagement and managing grant agreements with community organisations), reporting systems and consultation with the sector to measure the effectiveness of its grant programmes. These mechanisms are important for measuring the effectiveness of the new grant arrangements in addressing client need and efficiency of services.</p>

Recommendation	Government Response
<p>Recommendation 12:</p> <p>The Committee recommends that the Auditor-General conduct its own review into the tendering process, including examining:</p> <ul style="list-style-type: none"> • The Department of Social Services' work pre-tender in identifying service needs by region; • The extent to which successful tenderers have sub-contracted their work to local and regional providers, job losses that have resulted from the tendering process and outcomes, and the extent to which Department of Social Services has oversight over these subcontracts; • The extent to which the capacity for community-based service delivery (particularly the capacity to provide services to CALD and indigenous communities) was factored into the tender selection process; • The impact on service delivery, advocacy and the support available to vulnerable people and communities. 	<p>Noted - matter for the Auditor-General</p> <p>The Government, and the Department of Social Services, will assist to their fullest capabilities should the Auditor-General include this matter on the Australian National Audit Office's work programme.</p>