

Chapter 3

Administration and review of the first funding round

3.1 This chapter covers the administration of the Indigenous Advancement Strategy (IAS) by the Department of the Prime Minister and Cabinet (PM&C or the Department) including:

- information and assistance provided to applicants to the 2014 IAS funding round;
- ad hoc changes to funding arrangements for some service providers to address potential gaps in services;
- finalisation of funding agreements with successful applicants and the provision of feedback to unsuccessful applicants;
- the coordination of funding for Indigenous programs between Commonwealth departments;
- the engagement of the external organisations, Mosaic and Ernst & Young, to provide PM&C with administrative assistance and probity advice; and
- the internal and external reviews of IAS processes and guidelines that have been announced by PM&C.

Communication with stakeholders about IAS

3.2 The committee received evidence that information provided by the government to applicants about the IAS lacked clarity and consistency. Many witnesses considered that communication with stakeholders could be substantially improved.

Information provided to applicants

3.3 The Aboriginal Medical Services Alliance of the Northern Territory (AMSANT) commented that there was not enough information provided about the application process, and that it was difficult to get reliable information from PM&C:

AMSANT was concerned that there was insufficient information and too few information sessions on the IAS provided during the tendering period. Attempts to seek clarification from PM&C staff regarding service scope and outcomes in order to complete applications were largely unsuccessful, with PM&C staff either unable to supply responses or providing conflicting details to inquiries. Organisations were left to speculate and swap notes as best they could, or, where they had the resources, employ consultants to develop their applications.¹

1 *Submission 75*, p. 3.

3.4 The committee received some evidence that suggested the PM&C helpline offered little assistance to callers on some occasions. For example, Ms Priscilla Collins, Deputy Chairperson, National Aboriginal and Torres Strait Islander Legal Services (NATSILS) and Chief Executive Officer, Aboriginal Peak Organisations of the Northern Territory (APO NT), reported that different PM&C officers gave differing information about the timeline for applications:

When we rang PM&C we were told we could apply for only 12 months worth of funding. Then you would have another conversation. Whenever you picked up the phone to speak to PM&C you never had a dedicated person. It was just whoever picked up the phone at the time. I was told that it was 12 months worth of funding, and in another conversation I was told that it was three years worth of funding, and in another conversation I was told that it was four years of funding. We actually put in an application for five years worth of funding but got only 12 months.²

3.5 More broadly, Ms Collins told the committee of other frustrating experiences she had gone through calling the PM&C helpline, including inconsistent information provided and the patchy knowledge of staff. She was particularly concerned when she found out that some staff on the helpline were not familiar with key elements of the Commonwealth's Indigenous policy:

It was the most disappointing, frustrating process. I was ringing them and they were saying, 'Yes, from now on you apply for Stronger Futures,' and you had a conversation for half an hour and, at the end of it, the person would say, 'Can you explain to me what Stronger Futures is?' You would ask, 'Are you the Territory representative?' and they would say yes, and you would say, 'And you don't know about Stronger Futures?' That is when we started having panic attacks, thinking, 'These people have no idea what they're doing'.³

Lack of clarity about interaction with other programs

3.6 Ms Collins, NATSILS and APO NT, suggested that the transfer of programs between departments had led to some confusion about program funding:

So, at the time when we were applying for the Stronger Futures funding, we were getting conflicting information from PM&C and from the Attorney-General's Department. Because the Stronger Futures funding was a 10-year commitment, I wanted to confirm whether that money was already locked in and still funded under the Attorney-General's Department, and they were saying, 'Oh, we're not too sure.' Then I would ring PM&C and they would say, 'Yes, you have to apply for the Stronger Futures funding through the IAS.' So we would go through a number of conversations, and then at the end of the conversation the PM&C representative would say to me, 'What's Stronger Futures?' So it was really messy, with a lack of information and a lack of clarity, and as a result a lot of organisations did not apply for the funding, because they were told information that was incorrect. We were

2 *Committee Hansard*, 29 June 2015, p. 29.

3 *Committee Hansard*, 29 June 2015, p. 34.

told, 'No, it's still under the Attorney-General's Department,' but then we were told, 'No, it's under IAS,' and people were just totally confused.⁴

Lack of clarity about requirements for information in applications

3.7 Danila Dilba Health Service (Danila Dilba) noted the complexity of the application process:

It is also worth noting here that the process was particularly complex in view of the requirement to develop only one consolidated application per organisation. Had there been more time allowed, this could have been a positive step as it would avoid repetition. In reality though, it was necessary to reconceptualise existing activity and any new proposals into a totally new framework with only six weeks to do so, seek partners, examine evidence, decide on lead agencies and seek relevant approvals across multiple organisations in some cases.⁵

3.8 Danila Dilba also highlighted that the selection criteria were very broad and generic and '[n]o specific guidance was provided as to how applications would be assessed against the criteria and advice so far from PM&C does not provide any indication of how [Danila Dilba's] funding proposal was rated against the criteria'.⁶

3.9 Ms Collins, NATSILS and APO NT, highlighted the lack of assistance available to develop applications:

There was one information session that was in Darwin. Unfortunately, I did not attend that one. I am aware that they had that one, but that is the only one I am aware of. So the only support you could get when you were doing the application was to ring the general number and you were just going to speak to whichever random person picked it up.⁷

3.10 Organisations also spoke about the lack of resources available to small organisations to develop their applications. For example, the National Congress of Australia's First Peoples submitted that many Indigenous organisations could not match the resources or expertise of many non-government and private organisations in applying for funding in competitive tendering processes:

A reoccurring complaint was that the short timeframe unfairly disadvantaged small organisation[s] with little experience in competitive tendering, while large non-governmental organisations...profit driven corporations and government agencies, with dedicated tendering teams, were at an advantage. Some organisations spent thousands of dollars to hire consultants to produce professional high-level documentation only to have their applications rejected. Already cash strapped community organisations

4 *Committee Hansard*, 29 June 2015, p. 28.

5 *Submission 66*, p. 5.

6 *Submission 66*, p. 8.

7 *Proof Committee Hansard*, 16 February 2016, p. 10.

should not have to feel they need to hire consultants to be competitive against large organisations.⁸

3.11 This view was also expressed by the Victorian Aboriginal Education Association Incorporated (VAEAI):

VAEAI believes that the application process disadvantaged small organisations and Aboriginal-controlled organisations, given that all organisations were applying for a share of the same pool of funding, regardless of proportion of size, Aboriginal ownership, or percentage of identified Aboriginal employment positions. Organisations such as government agencies and departments, private corporations, universities and local councils would have had more resources to devote towards the application process, and this has been reflected in the outcomes of the IAS tendering process.⁹

Initial six week application period

3.12 The committee heard evidence that the initial six-week application period between 8 September and 17 October 2014 was not sufficient for applicants.¹⁰ For example, Danila Dilba suggested that six weeks was not enough time for many organisations to submit adequate applications, as the IAS was a new process that had substantially changed the way government funds Indigenous programs:

While a timeframe of approximately six weeks may be considered sufficient in the case of a simple grant application process, it was not adequate within such a fundamentally changed environment.¹¹

3.13 Given these challenges, the Combined Aboriginal Organisations of Central Australia submitted it was aware of organisations that had:

...submitted partially completed applications or who did not submit applications at all under the IAS due to the complexity of the process and the insufficient 6-week time-frame for the lodgement of IAS applications.¹²

3.14 The committee also heard that the tight timeframe disadvantaged small organisations, many of whom did not have the expertise or resources to make an application for IAS funding within the six-week deadline. For example, the Close the Gap Campaign submitted that some:

8 *Submission 84*, p. 9.

9 *Submission 36*, p. 4.

10 See, for example: Katherine Women's Information and Legal Services, *Submission 62*, p. 1; Tharawal Local Aboriginal Land Council, *Submission 63*, p. 1; Danila Dilba Health Service, *Submission 66*, p. 4; National Family Violence Prevention Legal Services Forum, *Submission 83*, pp 8-9; National Congress of Australia's First Peoples, *Submission 84*, p. 9. See also Mr John Paterson, Chief Executive Officer, Aboriginal Peak Organisations Northern Territory, *Proof Committee Hansard*, 16 February 2016, p. 1.

11 *Submission 66*, p. 4

12 *Submission 79*, p. 3.

...organisations did not have the capacity or resources to submit an application...Furthermore, the timeframe imposed on the process, coupled with the lack of funding for administrative functions (e.g. submission writing) meant that some submissions may not have reflected the quality of the programmes they provide.¹³

3.15 The Aboriginal Health and Medical Research Council of NSW (AHMRC) highlighted the six-week period did not allow for organisations to gain input from their own boards or consult adequately:

Because of the tight timeframe for submission and the competitive nature of the process, there was limited opportunity to allow for input from the Boards of services which needed to be aligned with organisational strategic plans. The amount of community consultation and stakeholder consultation was compromised. The need to provide letters of support for the tender created tension between services.¹⁴

3.16 It was also suggested that the short application period only suited programs that had already been developed or were already implemented. As Family Support Newcastle wrote in its submission:

This tendering timeframe was only suitable for those projects that had been fully thought out and 'spade ready' prior to the opening of the tender process. As an organisation keen to get funding for innovative projects, we found this timeframe enormously frustrating. There was little time to develop up a submission even without the processes that are required for consultation, collaboration and creativity.¹⁵

3.17 Mr Mick Gooda, the Aboriginal and Torres Strait Islander Social Justice Commissioner, also told the committee that he considered that the time given for applications was not sufficient. Considering the magnitude of the change to Indigenous funding processes made by the IAS, he reflected:

I think the sheer quantum of that was trying to be achieved here was immediately unachievable given the numbers and what we knew.¹⁶

3.18 In contrast, some witnesses suggested the timeline for consultation and submissions was reasonable, even if many stated they were aware many organisations had found it too short.¹⁷ For example, Ninti One Limited submitted that the 'timeframe was adequate'.¹⁸ However, it also commented that their local facilities and staff in Alice Springs were experienced in applying for grants, which was 'not the case across

13 *Submission 82*, pp 4-5.

14 *Submission 12*, p. 2. See also Aboriginal Family Law Services (WA), *Submission 81*, p. 7.

15 *Submission 5*, pp 1-2.

16 *Committee Hansard*, 29 June 2015, p. 4.

17 For example, see: Ninti One Limited, *Submission 13*, p. 2; North Australian Aboriginal Family Violence Legal Service, *Submission 14*, p. 1.

18 *Submission 13*, p. 2.

most of remote Australia', and that they had assisted some remote organisations with their applications.¹⁹

3.19 PM&C acknowledged that, with hindsight, it was clear that the application period was too brief. However, they told the committee that they had learned from the process and looking at where improvements could be made:

We were aware that the time frame was short, but we did think that we would be able to move through the process in a way that brought people with us. I think the non-compliant applications is a good example of where we, in general, in the department underestimated what was required and the shift that was needed and the communication and engagement that was required. We did think it was achievable and doable. But part of the review process is to go back and look at how we could do things differently in the future. What are the learnings from this process?²⁰

Changes to timeframes and guidelines for funding

3.20 The committee heard about ad hoc changes to the process that were made once the IAS funding round was already underway, which led to confusion among stakeholders, and perceptions the process was unfair and not transparent. For example, despite the stipulations of the IAS Guidelines, non-compliant tenders were included following the closing of the application process.²¹

Non-compliant applications

3.21 PM&C told the committee that half of the applications they received under the IAS funding round were non-compliant,²² which suggested that many stakeholders did not sufficiently understand the new arrangements.

3.22 Ms Liza Carroll, Associate Secretary, Indigenous Affairs, PM&C, spoke about the numbers of non-compliant applications and the decision by the minister to include them:

We certainly did not anticipate...that our non-compliance rate would be that high. It was clear to us that we would get the wrong outcome if we did not include all of those non-compliant applications.²³

Changes in the process not well communicated

3.23 On 24 November 2014 the Minister for Indigenous Affairs, Senator the Hon Nigel Scullion, announced that more time would be taken to assess funding applications. At this time PM&C had identified service providers whose funding was

19 *Submission 13*, p. 2.

20 Ms Liza Carroll, Associate Secretary, Indigenous Affairs, Department of the Prime minister and Cabinet (PM&C), *Committee Hansard*, 29 June 2015, pp 54-55.

21 See Senate Finance and Public Administration Legislation Committee, *Estimates Hansard*, 27 February 2015, pp 51-52.

22 *Submission 48*, p. 14. There were 1,233 non-compliant applications from total of 2,472.

23 *Committee Hansard*, 29 June 2015, p. 53.

due to expire at the end of December 2014 which appeared not to have applied for funding. In response the minister announced a six-month funding extension for organisations that had ongoing service delivery contracts expiring on 31 December 2014 which allowed them to continue to provide frontline services while the IAS funding round was finalised.²⁴

3.24 After the IAS funding round outcomes announcement by Minister Scullion on 4 March 2015, PM&C undertook gap analysis²⁵ and an additional 32 organisations were funded as part of this process.²⁶ PM&C tabled a chart at the public hearing showing that \$240 million was provided following this gap analysis by awarding extensions in the length of funding agreements with particular organisations.²⁷

3.25 PM&C described this gap filling process to the committee, stating that these funding decisions occurred alongside ongoing negotiations with organisations. Additionally, the Department explained that there were cases where organisations approached them for funding to cover gaps in services, without having been first identified by PM&C:

That, obviously, is a less systematic process. I understand your concern about that. But, because we had...our regional managers on the ground, understanding what existed, then it was not just the fact that somebody approached us; it was: 'Is this actually a real concern?' If they were not part of the IAS grant process, and we had identified a gap, then we needed to think about: 'Nobody applied in that grant process. There will be gap in service provision. What will we do? We couldn't deal with it as part of the IAS process, but we know we can deal with it over here as part of a separate process'. So effectively we had triaged it to make sure the focus was on the outcome but we had the mechanisms as we went through.²⁸

3.26 Despite this analysis, the committee received evidence that service gaps still existed. During the Darwin hearing the committee was informed by Ms Seranie Gamble, Outreach Project Manager, Northern Territory Legal Aid Commission, that due to funding cuts in the last financial year they had to cut outreach services to remote communities in the Barkly region and that they understand there are now no legal services going into those communities. Ms Gamble emphasised:

So there are a number of communities that not only do not have access to court processes but do not even have access to legal assistance through

24 Senator the Hon Nigel Scullion, Minister for Indigenous Affairs, 'Indigenous Grant Round', Media release, 24 November 2014.

25 Ms Carroll, PM&C, *Committee Hansard*, 29 June 2015, p. 45.

26 Senator the Hon Nigel Scullion, Minister for Indigenous Affairs, 'IAS grant round investment totals \$1 billion', Media release, 27 May 2015.

27 PM&C, 'IAS 2014 Grant funding round Summary of information', Tabled Document 1, Canberra 29 June 2015.

28 Ms Carroll, PM&C, *Committee Hansard*, 29 June 2015, p. 53.

outreach lawyers travelling out there to assist in advising and providing education and information about those issues.²⁹

3.27 When asked whether the lack of these services had been part of the gap analysis and Ms Gamble replied:

When we were offered the funding we were offered, we noted that it was not the amount that we had requested and that it was necessary to provide these services in those areas. Nothing was done to address that or change that. It was not negotiable.³⁰

3.28 Ms Gamble added that they understood PM&C knew about the lack of services as they were told services were being mapped in those areas.³¹ She added:

From our perspective, in our application, we spent time and effort gaining and providing evidence of the support and demand to deliver services in those areas. We have not had any feedback in response to that. We provided as much information as we could to demonstrate that need. As far as we are aware, it has fallen on deaf ears.³²

3.29 Mr Gooda reflected that many stakeholders in the Indigenous community had felt these processes had not been explained to them sufficiently, and he had consistently heard:

There was a change in timing; there was a change in how guidelines would be interpreted. It is hard for me to make that observation, but what I can say is that people tell me they heard different stories, particularly around the application process and time frames. They extended the time frames. Some people thought that they had missed out and, therefore, did not bother putting in, but the time frame had been extended. They never got the message. I know one particular organisation that fell under that category. I think the communication could have been better.³³

29 *Proof Committee Hansard*, 16 February 2016, p. 24.

30 *Proof Committee Hansard*, 16 February 2016, p. 25.

31 *Proof Committee Hansard*, 16 February 2016, p. 25.

32 *Proof Committee Hansard*, 16 February 2016, p. 25.

33 *Committee Hansard*, 29 June 2015, p. 6.

Consequences of rapid transition for services and service providers

Uncertainty in the sector

3.30 The committee heard that the quick transition of Commonwealth Indigenous funding to the IAS had created some uncertainty and confusion in the sector, which had had negative effects on many organisations and service providers.³⁴

3.31 Most significantly, the committee received evidence that delays and ad hoc continuation of funding was unsettling and worked against future planning by organisations.³⁵ For example, the AHMRC reported losing experienced staff due to funding and job uncertainty, as well as noting negative effects on the morale and motivation of continuing staff.³⁶

3.32 Family Support Newcastle also indicated that funding uncertainty had negative consequences for staff, who would need to be made redundant should funding applications be unsuccessful. However, its submission also commented that this uncertainty had also affected their clients – many of whom already face significant disadvantage – as the organisation had stopped taking new referrals and had scaled down support services for ongoing clients.³⁷

3.33 Some organisations reported that, even when they had been awarded funding, it had been only for a short time, which made it difficult to recruit and train new staff. For example, the Lyndon Community submitted:

The provision of a 1 year funding agreement will make the process of recruiting new staff difficult and challenging, as there will be little enticement for experienced staff to give up more permanent positions or relocate. This is also particularly relevant for programs like ours which operate in rural and remote locations. One year funding will also significantly lessen our ability to achieve positive outcomes due to the need to bring staff up to speed prior to engaging with the clients/communities.³⁸

3.34 Ms Carroll, PM&C, told the committee about how the government had tried to give the sector some security to funding arrangements, despite the shortness of the 12-month implementation period:

34 For example, see: The Lyndon Community, *Submission 10*, p. 1; Aboriginal Health and Medical Research Council, *Submission 12*, p. 4; Family Support Newcastle, *Submission 5*, p. 2; Kimberley Land Council, *Submission 30*, pp 1-2; Community Council for Australia, *Submission 34*, p. 4; Save the Children, *Submission 41*, p. 3; Good Beginnings Australia, *Submission 43*, p. 2; Reconciliation Australia, *Submission 44*, p. 2; Victorian Aboriginal Child Care Agency, *Submission 45*, p. 6.

35 See for example, Ms Lisa Briggs, Chief Executive Officer, National Aboriginal Community Controlled Health Organisation (NACCHO), *Committee Hansard*, 29 June 2015, p. 25; The Lyndon Community, *Submission 10*, p. 1; Ms Suzan Cox, Director, Northern Territory Legal Aid Commission, *Proof Committee Hansard*, 16 February 2016, p. 19.

36 *Submission 12*, p. 4.

37 *Submission 5*, p. 2.

38 *Submission 10*, p. 1.

I think the key driver was to really move people into an outcomes model, to give some security to people that they had longer term funding agreements. People had funding agreements coming to an end. We were very cognisant of the fact, as was the Minister, of: how can we move through this process, removing some of the overlap and duplication, getting towards the outcomes model and really focusing on delivering into the future, but also giving funding certainty for organisations as we went forward?³⁹

The engagement of external organisations to assist the IAS process

3.35 The committee understands that PM&C has spent a considerable sum on engaging two external organisations: Mosaic; and Ernst & Young, to assist with administration processes and to provide probity advice on the IAS process.

Expenditure on administrative support

3.36 In an answer to a question taken on notice at the Senate Additional Estimates on 27 February 2015, PM&C stated that the cost of undertaking the IAS administration process was \$1,759,622.00, which includes:

...specialist services to support the operation of the grant funding round; contract staff to assist with data entry; and advertising costs. As the assessment of applications for funding is part of the regular business of the Department, there is no additional impact on internal staffing costs.⁴⁰

3.37 According to PM&C, Mosaic provided 'about 12 people...for about four days' to help the Department register the large number of applications received, which cost \$65,346.22.⁴¹

3.38 PM&C stated that Ernst & Young played a 'broader role' and were engaged to provide support in several areas:

- logistics for IAS funding round process, including 'guidance for individual staff members undertaking the assessment process', and IT assistance, particularly regarding the database used to register applications;
- a 'surge capacity' of 20 to 25 people, who worked alongside Mosaic staff, to help the Department register the number of applications received; and
- probity advice, on an 'as-needs basis'.⁴²

3.39 At Senate Estimates on 27 February 2015, PM&C stated it had an 'open contract' with Ernst & Young, valued at \$1.5 million, although it 'may not...use the

39 *Committee Hansard*, 29 June 2015, p. 55.

40 PM&C answer to question on notice, Senate Finance and Public Administration Legislation Committee, Additional Estimates 27 February 2015, Question 67 (received 10 April 2015).

41 Ms Susan Black, First Assistant Secretary, Programme Implementation Taskforce, PM&C, Senate Finance and Public Administration Legislation Committee, *Estimates Hansard*, 27 February 2015, p. 52.

42 Ms Black, PM&C, Senate Finance and Public Administration Legislation Committee, *Estimates Hansard*, 27 February 2015, pp 52-53.

whole amount' of this contract.⁴³ However, in answers to questions on notice, PM&C provided the following evidence, which appears to indicate that the total Ernst & Young contract has already cost more than \$1.5 million:

As part of the Indigenous Advancement Strategy (IAS), to date the Department of the Prime Minister and Cabinet has spent \$1,513,600 on Ernst & Young. This includes four contracts that ceased in December 2014 valued at \$646,000 for external probity advice, logistics and database development and two current contracts to the value of \$867,600 for specialist services to support the operation of the grant funding round.⁴⁴

3.40 The Victorian Aboriginal Community Controlled Health Organisation (VACCHO) suggested in its submission that the need for a 'surge capacity' demonstrated how poorly PM&C had planned the application round. In addition, VACCHO highlighted that this money could have been better spent on delivering frontline services rather than additional administration:

The cost of contracting these firms was significant, within the range of \$1 million to \$1.5 million. This support was described as 'surge capacity' and appears to be a result of the Department being unprepared for the volume and number of applications. Given the \$2.3 billion funding on offer, it should have been expected that applications would be high in volume and number. The administrative cost of the process, and in particular these contractors, would have made a significant difference if allocated to frontline services. It is completely unacceptable that this administrative expense was deemed necessary.⁴⁵

Probity advice provided by Ernst & Young

3.41 PM&C stated in its submission that an external probity adviser from Ernst & Young had been engaged to provide advice to officers involved in the IAS open funding round, in addition to an 'internal probity advisor'.⁴⁶ The Department also stated that:

A Probity Plan was developed and set out the minimum, mandatory probity requirements for the round. The plan articulated the following principles to support probity requirements:

- Fairness and impartiality.
- Consistency and transparency of process.
- Security and confidentiality.
- Identification and resolution of conflicts of interest.

43 Ms Black, PM&C, Senate Finance and Public Administration Legislation Committee, *Estimates Hansard*, 27 February 2015, p. 53.

44 PM&C answer to question on notice, Senate Finance and Public Administration Legislation Committee, Additional Estimates 27 February 2015, Question 67 (received 10 April 2015).

45 *Submission 47*, p. 6.

46 *Submission 48*, p. 15.

- Compliance with legislative obligations and government policies (as they apply to grants, including the *Public Governance, Performance and Accountability Act 2013* (PGPA Act)).⁴⁷

3.42 PM&C advised that the internal probity adviser and Ernst & Young had provided a 'final sign-off' for the Department, which meant:

...that they were satisfied that we had met the requirements of all of our documentation and all of our governance arrangements were strong along the way.⁴⁸

3.43 However, Mr Gooda raised concerns about the probity advice given to the Department, given the problems that stakeholders had identified, as well as the shortcomings in the process identified by PM&C itself:

What probity auditors do is actually make sure you maintain or keep faith with the process as you said it would apply. If the processes were pretty flawed at the beginning, all the probity auditors tell you is that you are stuck by a pretty flawed process. I have said that to the department many times. If you quote probity auditors to me about a way we should be confident, I have problems with the whole process of how we went about this, mainly because of the lack of transparency.⁴⁹

3.44 Mr Gooda also questioned how much the probity advice from Ernst & Young had cost the government, when its value was questionable, given the obvious flaws in the IAS process itself:

The exact cost of this [probity] advice was not provided during Senate Estimates. My concern is that significant money is spent on probity advice, which is of limited assistance if there is an unsatisfactory process in place to begin with. The weaknesses in the tendering process are a likely result of the lack of engagement of its designers with Aboriginal and Torres Strait Islander peoples.⁵⁰

Building unrealistic expectations

3.45 The letter sent to potential applicants by PM&C on 8 September 2014 announcing the opening of the first IAS funding round stated that innovative and locally-focussed programs were encouraged:

The IAS provides flexibility to apply for funding for innovative solutions to improve outcomes for Indigenous people over the long term on one application form. The IAS focuses spending on services that support the Government's priority areas of getting children to school, adults into jobs and improving community safety. The new arrangements provide

47 *Submission 48*, p. 15.

48 Ms Black, PM&C, Senate Finance and Public Administration Legislation Committee, *Estimates Hansard*, 27 February 2015, p. 52.

49 *Committee Hansard*, 29 June 2015, p. 3.

50 *Submission 15*, p. 3.

organisations with an opportunity to work with communities to develop local solutions with local outcomes.⁵¹

3.46 Many organisations understood that the IAS encouraged 'thinking big' about innovative projects and new ways of delivering services for Indigenous Australians and communities. Given these expectations, there was some disappointment expressed that the IAS round predominantly maintained funding to existing providers and programs, and many innovative proposals were unsuccessful.⁵²

3.47 For example, Save the Children submitted that the IAS had not delivered on the expectations that many stakeholders had:

The narrative of the Indigenous Advancement Strategy set high expectations for the Tender. The promise was that it would provide 'unprecedented flexibility' to work with individuals, families and communities to improve outcomes over the long-term and that it was designed to 'fundamentally reduce the red tape and reporting burden on providers, freeing them up to deliver better services rather than more paper work'.

In a bid to promote innovation, organisations were also encouraged to 'think big' and put forward 'new solutions to old problems'. Collaboration was promoted as the key and rightly, non-Aboriginal organisations were expected to work in strong partnership at the local level with Aboriginal-led and controlled organisations.

These were welcome sentiments in a resource-constrained sector where many organisations are seeking to deliver holistic solutions at the local level to complex and intergenerational issues.⁵³

3.48 The North Australian Indigenous Land and Sea Management Alliance considered that the IAS Guidelines and application kit encouraged organisations applying for innovative programs:

The wording of the guidelines and application kit indicate that the department is interested in taking a much more innovative approach to service delivery than they had under previous funding initiatives. However

51 PM&C, *Submission 48*, Attachment G (Letter from Ms Liza Carroll, PM&C, to Service Providers, 8 September 2014 re IAS Round Open), p. 1.

52 For example, see: Victorian Aboriginal Child Care Agency, *Submission 45*, p. 5; West Australian Council of Social Services, *Submission 49*, p. 3; University of Newcastle, *Submission 53*, p. 5; North Australian Indigenous Land and Sea Management Alliance, *Submission 59*, p. 5; Danila Dilba Health Service, *Submission 66*, p. 4; Regional Development Australia Pilbara, *Submission 73*, p. 6; Marninwarntikura Fitzroy Women's Resource Centre, *Submission 76*, p. 23; Combined Aboriginal Organisations of Central Australia, *Submission 79*, p. 3.

53 *Submission 41*, p. 3.

given the types of funding applications that have been successful, questions must be raised around the strategic intent of the department.⁵⁴

3.49 Evidence provided by PM&C about the amount of funding applied for by some organisations appears to support the view that many applicants considered that programs that were innovative and 'thinking big' were more likely to be funded under the IAS. While the available funding was \$2.3 billion for the first and any subsequent rounds⁵⁵ the funding round was heavily subscribed.⁵⁶ PM&C explained that this amount included some applications asking for very large amounts of money, with the five largest applications asking for a combined total of \$5 billion for programs (all of which were unsuccessful).⁵⁷

3.50 Although many organisations put effort into developing applications for new projects, the committee received evidence many of these were not funded. For example, Ms Lisa Briggs, Chief Executive Officer, National Aboriginal Community Controlled Health Organisation (NACCHO) reported that a survey of members found that:

...the decision making overwhelmingly favoured continuity of current services, and did not reward innovation.⁵⁸

3.51 NACCHO's survey found that their members applied for 186 programs, 83 of these were for new funding and 103 were for existing programs. Sixty seven, or 80 per cent, of funding applications for new programs were unsuccessful.⁵⁹

3.52 Mr Brendan Gibson, Assistant Secretary, PM&C, responded to NACCHO's findings by giving an example of how some applications were over-ambitious and not supported by rigorous evidence:

The IAS unleashed a lot of ambitions. We had some examples of organisations that had not received funding before including [Aboriginal Community Controlled Health Organisations (ACCHOs)]. There is one in my mind, because I remember giving the feedback. They put in their application for \$18 million, for example, which was way more than they

54 *Submission 59*, p. 6. See also Mr David Jan, Manager of Policy Development and Corporate Services, Local Government Association of the Northern Territory, *Proof Committee Hansard*, 16 February 2016, p. 44.

55 Noting the total funding for the IAS was \$4.8 billion over four years but a portion was already committed. See Senate Finance and Public Administration Legislation Committee, *Estimates Hansard*, 27 February 2015, p. 58; IAS Guidelines, p. 3.

56 Although the figure of \$14 billion was mentioned during the 27 February 2015 estimates hearing (see Senate Finance and Public Administration Legislation Committee, *Estimates Hansard*, 27 February 2015, p. 53), on 3 March 2015 PM&C wrote to the committee to say that due to a data entry error the \$14 billion figure was not correct and the total funding requested was less than \$14 billion. The Department undertook but has not yet provided the final amount.

57 Senate Finance and Public Administration Legislation Committee, *Estimates Hansard*, 27 February 2015, pp 53-54.

58 *Committee Hansard*, 29 June 2015, p. 19.

59 *Supplementary Submission 70*, p. 9.

were already receiving for their core grant to do primary health care and a range of other things. It is very difficult when faced with a submission like that. There were some good ideas in the submission, but it was a major submission about covering a very large area of the country with a new service type that had not been tested. There is no real evidence base for what it was they were proposing to do. The service delivery model was not grounded or tested. I am not saying that all the 83 [programs discussed by NACCHO] fit that picture, but I am giving you an idea of what came forward amongst those 83 programs that were looking for money.⁶⁰

3.53 However, Ninti One Limited described a similar experience with their new proposals for IAS funding that had been based on extensive research and still been rejected:

It was our experience that our proposals for innovative design and delivery were not rewarded in the IAS funding round. Our 8 innovative proposals were all unsuccessful...these proposals were based on several millions of dollars of CRC research and innovation funding from the Australian and State and Territory governments and private industry.⁶¹

3.54 At the hearing on 29 June 2015, PM&C confirmed that in assessing applications they were informed by a need not to leave gaps in existing services:

...one of our real focuses was on making sure we did not upset or discontinue existing effective frontline services...⁶²

3.55 Ms Caroline Edwards, First Assistant Secretary, PM&C, added that in the Safety and Wellbeing program:

...it is probably true to say that many of our current providers were re-funded and at similar levels to previously.⁶³

3.56 Ms Edwards argued that the value of the IAS process should not be underestimated, as many new providers and activities had been funded, alongside continuing funding for established organisations with a history of delivering good outcomes. The example of funding awarded under the IAS' Social and Emotional Wellbeing Program was given, in which:

We have new activities, we have new providers, we have maintained a large number and we have also reduced some. We have also quarantined some funding and we ask, "Those people did not apply or they no longer want to do it. How should we do it?" We have looked at those. If you look at the previous [Social and Emotional Wellbeing Program] the situation is even more complicated. We have a large number of providers who did not apply or who did not apply for the sort of activity they were doing before. We had

60 *Committee Hansard*, 29 June 2015, pp 51-52.

61 *Submission 13*, p. 4.

62 Ms Carroll, PM&C, *Committee Hansard*, 29 June 2015, p. 51.

63 *Committee Hansard*, 29 June 2015, p. 52.

a good look at those and often there was a good reason for [them not applying] - they were not the best way.

We have maintained funding for quite a large number, but we have new providers, expanded providers, we have reduced and ceased providers and, subsequent to the round, we have been continuing to find ways to do that sort of funding...But we were unashamedly careful about existing service systems. I think we have demonstrated care but we have made sure that we do not break what is working but we do give opportunities for innovation.⁶⁴

3.57 At the committee's final hearing on 1 March 2016, Mr Andrew Tongue, Associate Secretary, Indigenous Affairs, PM&C agreed that the process had been disruptive for the sector, however, he continued:

[F]or the first time [the committee], the sector and [the department] are able to see this sweep of funding in Indigenous affairs across \$1.2 billion worth of funding. That throws up a series of policy questions about 'Why this and not that?' or, in some communities, 'Why six of those rather than one?' It also begs a series of policy questions about 'So how much of this money is allocated against evidence and how much is it, what I call, the geological layers of governments and ministers and bureaucracies over time?' The significance of that is quite powerful in shaping the Indigenous affairs agenda, going forward.⁶⁵

Finalising funding

3.58 The committee received evidence that suggested that some organisations did not receive sufficient information about successful applications. As organisations submitted a single application for IAS funding even when they were proposing multiple programs, some organisations were successful for some programs but not for others. The committee heard evidence that communications from PM&C lacked clarity about whether applications had been approved or rejected. This appears to have been particularly acute where an applicant sought funding for more than one program or activity, with applicants left uncertain as to whether applications were fully or partially approved, and which specific activities had been approved or rejected.

3.59 For example, some organisations were sent an email advising they were successful but not indicating which program/s was successful. They then received an email saying they were unsuccessful, again not indicating which program/s was unsuccessful.⁶⁶

3.60 Ms Collins, NATSILS and APO NT, explained that trying to find out information about successful and unsuccessful applications had been difficult:

64 *Committee Hansard*, 29 June 2015, p. 52.

65 *Proof Committee Hansard*, 1 March 2016, p. 11.

66 Ms Priscilla Collins, Deputy Chairperson, National Aboriginal and Torres Strait Islander Legal Services (NATSILS) and Chief Executive Officer, Aboriginal Peak Organisations of the Northern Territory (APO NT), *Committee Hansard*, 29 June 2015, p. 33.

I had to ring the [helpline] to find out what was going on. I was told, 'Yes, you have been successful for this.' I said, 'But we applied for all these different programs', and they said, 'Oh, well, we will have to get back to you on that.' Then you have to ring again to find out: 'Can somebody tell me if we were successful on this or unsuccessful on this?' Every single person I spoke to on the phone gave me a different answer, so we just had to wait until someone official rang us.⁶⁷

3.61 AHMRC also reported that the provision of information remained slow and inconsistent even after the round has been completed:

Information regarding the IAS has been limited, slow and inconsistent. To date, the Department has only released a list of services approved for funding, there is no national picture of the amounts approved, the length of contracts (some services got three years, some only one), why some services did not get funded, or why funding was awarded to government departments and universities. Some services are still awaiting a meeting with the Department to discuss their funding contract, five weeks following the announcements. One service has had no notification from the Department since submitting their application.⁶⁸

3.62 Mr David Jan, Manager of Policy Development and Corporate Services, Local Government Association of the Northern Territory, spoke about the experience of the MacDonnell Regional Council where, following a successful application, in negotiations with the Department, the Council were funded for the same amount they received previously. This was apparently with no reference to what was contained in their application where they had been asking for more funding.⁶⁹ Mr Jan added that the Council had spent \$20,000 on a consultant to assist them with their application and engaged in extensive consultation with remote communities in order to capture in their application the program delivery wanted by the community.⁷⁰

3.63 Receiving generic or no feedback on unsuccessful applications appears to have been particularly frustrating. Mr Owen Cole, Member, Combined Aboriginal Organisations of Central Australia, described his disappointing experience to the committee,⁷¹ as did Mr Matt Fawkner, Principal Legal Officer, Katherine Women's Information and Legal Service.⁷²

3.64 The committee heard evidence that finalising funding agreements was confusing and time consuming for applicants, with associated delays causing operational challenges for some services. At the public hearing on 29 June 2015, Ms Collins, NATSILS and APO NT, confirmed that NATSILS' funding agreement

67 *Committee Hansard*, 29 June 2015, p. 33.

68 *Submission 12*, p. 1.

69 *Proof Committee Hansard*, 16 February 2016, p. 45.

70 *Proof Committee Hansard*, 16 February 2016, p. 43.

71 *Proof Committee Hansard*, 16 February 2016, p. 37.

72 *Proof Committee Hansard*, 16 February 2016, p. 28.

was one of the agreements that was not yet completed, despite her best efforts to contact PM&C. The committee heard that Ms Collins had contacted PM&C the week previously, but had not heard back from the department. Given this, she commented that NATSILS would have to exist on their financial reserves until the agreement was finalised.⁷³

3.65 Funding under the IAS was scheduled to commence from 1 July 2015 (noting that some contracts are not due to expire until 31 December 2015 or beyond). At the public hearing on 29 June 2015, PM&C stated that 700 - or 72 per cent of agreements - had been executed, leaving a number of funding agreements still unconfirmed.⁷⁴ However, PM&C commented that 90 per cent of the remaining negotiations over funding agreements had been completed.⁷⁵

Eight months on

3.66 Almost eight months elapsed between the committee's June 2015 and February 2016 hearing and the committee was hopeful that issues raised in early-mid 2015 would have improved over that time. Unfortunately the evidence received did not ameliorate the committee's concerns regarding issues with implementation.

3.67 Ms Collins, who is also the Chief Executive Officer of the North Australian Aboriginal Justice Agency's (NAAJA), and who spoke with the committee in June 2015 regarding NATSILS' contract, told the committee that NAAJA's contract runs out on 30 June 2016 and:

Since October last year, I have been chasing Minister Scullion's office, PM&C and the Attorney-General's Department to find out what the next stage is, because applications really should have opened around November if they are going to have funding available commencing 1 July. I have not received any feedback to date about what stage it is up to. We do not know: is there an application round? Are we getting an extension of funding? Do we have to do an application? Is it an automatic grant? No-one is telling us anything. I have four months left and I have staff contracts that run out at that time. If I have to let staff go, I will guarantee that we will be cutting our services and that is going to have a huge impact on the court system. This is what the Indigenous Advancement Strategy was for. It was to support Aboriginal people, and we are the ones who are left in the dark. We find the whole process totally disappointing and unprofessional.⁷⁶

3.68 Ms Collins added:

We do have a lot of support from Minister Scullion's office, but I think the information that has been given to them is not correct. They have been out trying to find what is actually going on themselves. It is the same with the Attorney-General's Department: trying to find out what is really going on.

73 *Committee Hansard*, 29 June 2015, p. 34.

74 Ms Carroll, PM&C, *Committee Hansard*, 29 June 2015, pp 45, 55.

75 Ms Carroll, PM&C, *Committee Hansard*, 29 June 2015, p.55.

76 *Proof Committee Hansard*, 16 February 2016, pp 3-4, 11.

You go to PM&C, and they say, 'Oh, we're talking to people at the Attorney-General's office.' Who are you talking to in the Attorney-General's office? No-one is giving you a definite answer of what is going on, so there is all this communication that is not there. There is no communication from PM&C to any organisation, and that is just NAAJA, so there are a lot more Aboriginal organisations out there that are not getting any feedback.

I was in a meeting for another program a couple of weeks ago, and one of the PM&C staff members who were there said they were looking at revising the guidelines. I said: 'Why aren't people told this? Why aren't letters being sent out to organisations? We don't know anything that's going on.'⁷⁷

3.69 The future for APO NT also appeared to be unclear as explained by Mr John Paterson, Chief Executive Officer:

We have an application in with Prime Minister and Cabinet...we have not had any indication about when we are going to be notified. We have got staff employed. We have got two programs—the governance and management program; and the APO NT secretariat positions—and they expire June 30 this year and we have had no response in terms of our application or about when we can expect a decision.⁷⁸

3.70 This was also the case for the Northern Territory Legal Aid Commission, which since September 2015 has been trying to find out further information about the process for funding post-June 2016.⁷⁹ Similarly, the Katherine Women's Information and Legal Service were also unaware of what will happen to their funding after 30 June 2016.⁸⁰

Initial outcomes

3.71 The committee was not reassured by some of the outcomes able to be achieved to date. Mr Graham Dowling, Interim Chairman, Combined Aboriginal Organisations of Central Australia, spoke of the impact on Central Australia based on a survey undertaken by the Alice Springs Chamber of Commerce :

The Alice Springs Chamber of Commerce surveyed local members about the impacts of the IAS and all feedback received spoke about the negative impact of reduced funding. Thirty-three members of the chamber responded to the survey. Some of the findings included 52 per cent of respondents stating that they have received less funding from ongoing projects and 63 per cent saying staff would be made redundant as a result of the reduced funding. Further, 82 per cent said between one and 15 staffing positions would be lost—93 per cent of the positions lost were held by Indigenous staff—with 50 per cent saying that staff affected are located in remote

77 *Proof Committee Hansard*, 16 February 2016, p. 6.

78 *Proof Committee Hansard*, 16 February 2016, p. 11.

79 Ms Seranie Gamble, Outreach Project Officer, Northern Territory Legal Aid Commission, *Proof Committee Hansard*, 16 February 2016, pp 23-24, 26.

80 Mr Matt Fawkner, Principal Legal Officer, Katherine Women's Information and Legal Service, *Proof Committee Hansard*, 16 February 2016, pp 28-30.

regions and 43 per cent in major centres. One hundred per cent of respondents said that the funding decreases would result in social impacts on their communities, with 84 per cent saying this would result in a social impact in major centres.⁸¹

3.72 Although the 2015 survey by the Chamber of Commerce has not been updated Mr Owen Cole, Member, Combined Aboriginal Organisations of Central Australia spoke about the common experiences and outcomes for several organisations.⁸²

3.73 Mr Dowling stressed that the outcomes of the IAS process have affected the relationship between Aboriginal community controlled organisations and the department:

The [Combined Aboriginal Organisations of Central Australia (CAO)] has organisations within its membership that have been delivering essential front line services and programs in the region for 30 to 40 years. These organisations either were overlooked or received reduced levels of funding for reasons that neither the department staff nor the minister could explain. Some funding decisions were reversed by government when the realisation hit home that antisocial behaviour in major centres like Alice Springs would only increase as a result of IAS funding cuts. This added to the general level of confusion and frustration felt by our member organisations, as it created another level of uncertainty. The high level of reporting and lack of long-term funding arrangements show the deep level of distrust within the department on the ability of Aboriginal organisations to deliver the best outcomes for our communities.⁸³

3.74 Mr Jan stressed that for all the effort put into application process the funding outcomes for many organisations did not change:

...the contracts that they are on now are the same as what they were on before. So, as I said, they felt they went to a lot of effort just to go on with the status quo, whereas they really could have just kept on going.⁸⁴

PM&C reviews of the transition to the IAS and funding rounds

3.72 At the June 2015 hearing the committee was told that PM&C would be undertaking internal and external reviews of the IAS processes.

Internal review

3.75 At the June 2015 hearing PM&C also stated the department was undertaking an internal review 'purely on the grant round' that would look at:

81 *Proof Committee Hansard*, 16 February 2016, p. 35.

82 *Proof Committee Hansard*, 16 February 2016, p. 37. See also Mr Graham Dowling, Interim Chairman, Combined Aboriginal Organisations of Central Australia, *Proof Committee Hansard*, 16 February 2016, p. 37; Mr Matt Fawkner, Principal Legal Officer, Katherine Women's Information and Legal Service, *Proof Committee Hansard*, 16 February 2016, pp 31-33.

83 *Proof Committee Hansard*, 16 February 2016, pp 35-36.

84 *Proof Committee Hansard*, 16 February 2016, pp 43,44.

The areas that we were looking at [are to]: assess the efficiency and effectiveness of the IAS funding round with emphasis on planning and processes; resourcing; the governance of the funding round; our IT and system infrastructure; our internal communication processes; and other features of processes and administration as raised.⁸⁵

3.76 Ms Carroll, PM&C, described to the committee why these reviews are being undertaken, as well as the differences between them:

Feedback received directly by the department and through submissions to the inquiry process has indicated that there was a mixed level of awareness and understanding of these new arrangements. The department acknowledges this and...has started a process to review the funding round process and the guidelines. The reviews are twofold. There is an external review and there is also an internal departmental review. We have started to write to people out in the sector and also key leaders in the area to consider what we will be doing in the post-implementation review of the funding round. The review will consider processes, administration and communication around the funding round. The review of the IAS guidelines will include consideration of matters such as program descriptions, linkages to the outcomes and additional information that could be included in any guidelines in the future. We will be consulting widely on these elements.⁸⁶

3.77 Ms Carroll explained that consultation would be undertaken as part of the external review:

The consultation process will begin in July [2015] and we are currently working through the details, but there will be a range of mechanisms, not just face-to-face mechanisms, for this process. We have also engaged an independent consultant to help us with an internal post-implementation review so we can look at our internal processes and make any changes as we go forward.⁸⁷

3.78 Mr Gooda welcomed the external review by PM&C, as it offered a positive step forward for the government and Indigenous Australians:

I think it is time to move on from pointing out all the mistakes and concerns that I have to welcome the review [of] the IAS guidelines and the funding processes announced last week by the Department of the Prime Minister and Cabinet. I think this is desperately needed so that, together with Aboriginal and Torres Strait Islander peoples, a way forward can be charted. The serious concerns of our communities not only need to be heard in processes such as this committee hearing and the upcoming review process; they need to be addressed across the whole gamut of programs across government. I hope that this process is conducted in genuine partnership and good faith with our people to produce a system that is going

85 Ms Black, PM&C, *Committee Hansard*, 29 June 2015, p. 56.

86 *Committee Hansard*, 29 June 2015, p. 45.

87 *Committee Hansard*, 29 June 2015, p. 45.

to deliver real benefits for Aboriginal and Torres Strait Islander communities.⁸⁸

3.79 PM&C indicated at the hearing on 29 June 2015 that the internal review process was already underway and should finish in the next 'three to four weeks';⁸⁹ PM&C also indicated at this hearing that the external review process was scheduled to commence around the end of July 2015.⁹⁰

3.80 PM&C provided a copy of the executive summary, key findings, recommendations and conclusion of the independent internal review of IAS as the answer to a question on notice from the Supplementary Budget Estimates round held in October 2015.⁹¹ The internal review covered the following areas: planning, resourcing, governance and assessment of the funding round, IT/system infrastructure, communication processes and other features, processes and administration as raised.⁹²

External review

3.81 In the week prior to the 29 June 2015 hearing, PM&C sent out letters announcing that there would be an external review of the IAS Guidelines, and that this would involve some consultation with key stakeholders.⁹³

3.82 At the public hearing on 1 March 2016, PM&C were able to provide the committee with further information about the conduct of the external review. Ms Susan Black, First Assistant Secretary, PM&C, explained that the process was not a 'formal' external review and there were no documented terms of reference for the review but that PM&C had 'documented criteria that we would talk to people about'.⁹⁴

3.83 In terms of the input to the review, Ms Black noted:

[W]e had read the 86 submissions that came to [the committee's] inquiry and we got the feedback through 700-odd bits of input to the national office after the grant round, so we went out and we talked to people about that feedback in looking at the guidelines.⁹⁵

88 *Committee Hansard*, 29 June 2015, p. 2.

89 Ms Black, PM&C, *Committee Hansard*, 29 June 2015, p. 56.

90 Ms Black, PM&C, *Committee Hansard*, 29 June 2015, pp 57, 59.

91 PM&C answer to question on notice, Senate Finance and Public Administration Legislation Committee, Supplementary Budget Estimates, 23 October 2015, Question 61 (received 10 December 2015).

92 PM&C answer to question on notice, Senate Finance and Public Administration Legislation Committee, Supplementary Budget Estimates, 23 October 2015, Question 61 (received 10 December 2015).

93 Ms Carroll, PM&C, *Committee Hansard*, 29 June 2015, p. 45. PM&C tabled this letter at the hearing, see 'Letter and fact sheet for peak bodies on IAS external review', Tabled Document 4, Canberra 29 June 2015

94 *Proof Committee Hansard*, 1 March 2016, p. 6.

95 *Proof Committee Hansard*, 1 March 2016, p. 6.

3.84 The Department also undertook public consultations, which were led by an external facilitator.⁹⁶ During those public consultations PM&C consulted more than 500 people during 17 sessions across the country in order to address the issues raised with them.⁹⁷ Ms Black explained how participants were notified of these sessions:

We had about 3,500 to 3,800 people who have either current applicants or current funding recipients or people who had registered an interest in the IAS. An email was sent to all of those organisations notifying them that we do sessions around the country. We put up a note on our website to advertise it and we also put advertisements in a number of papers across the country.⁹⁸

3.85 In terms of the nature of the discussion at the public consultations, Ms Black stated:

For the purposes of the presentation that was provided to people, we worked through each of the segments of the guidelines... That went through the current guidelines, what they may look like in terms of avenues for funding, how the selection criteria might be documented, how the program information might be presented within the guidelines. It is quite a large document, as I am sure you understand, so we noted in our public notification of the meetings that it was on the revision of the guidelines, and then we took people through a structured presentation during the sessions.⁹⁹

3.86 Ms Black noted that no formal report has been prepared following the consultation process:

[W]e had scribes from the department at every one of those meetings. Their job was to make sure that we caught every bit of feedback that arose.¹⁰⁰

3.87 Mr Tongue, PM&C, indicated that there is no plan for consultation to occur on a draft version of the revised guidelines, however, there will be a phase-in period between the current guidelines and the revised guidelines.¹⁰¹

3.88 At the time of the last hearing in Canberra on 1 March 2016 the revised guidelines were yet to be released after being due in February 2016.¹⁰² PM&C stated the revised guidelines would be released 'shortly'.¹⁰³

96 Ms Black, PM&C, *Proof Committee Hansard*, 1 March 2016, p. 6.

97 Mr Andrew Tongue, Associate Secretary, Indigenous Affairs, PM&C, *Proof Committee Hansard*, 1 March 2016, pp 1, 3.; Ms Black, PM&C, *Proof Committee Hansard*, 1 March 2016, p. 7.

98 *Proof Committee Hansard*, 1 March 2016, p. 3.

99 *Proof Committee Hansard*, 1 March 2016, p. 6.

100 *Proof Committee Hansard*, 1 March 2016, p. 6.

101 *Proof Committee Hansard*, 1 March 2016, p. 4.

102 Mr Tongue, Associate Secretary, Indigenous Affairs, PM&C, *Proof Committee Hansard*, 1 March 2016, p. 1. See Ms Seranie Gamble, Outreach Project Officer, Northern Territory Legal Aid Commission, *Proof Committee Hansard*, 16 February 2016, pp 23-24.

ANAO Audit

3.89 ANAO has an audit underway to assess whether PM&C has effectively established and implemented the IAS and the report is due to be tabled in spring 2016.¹⁰⁴

Conclusion

3.90 The committee acknowledges that submitters and witnesses saw the potential benefit of streamlining 150 programs into five priority areas through the IAS process. It was seen that this change could offer greater flexibility and scope to develop on the ground, targeted responses to issues in communities. It was also seen as an opportunity to cut red tape and reduce bureaucracy.

3.91 However, the committee heard that the reality was that the timetable to bed down the policy and administrative changes involved in a shift of this magnitude was too ambitious. There was little to no consultation or engagement with communities and organisations on this fundamental change to Aboriginal and Torres Strait Islander programs and no input sought at the start of this process. In addition to implementing a completely new and untested way of doing business, the process was further complicated by machinery of government changes and budget cuts.

3.92 In addition to challenges associated with machinery of government changes, many organisations may have been impacted by changes to the Department of Social Services (DSS) tendering processes. In the 2014-15 Budget the Government announced a reduction of around a quarter in grants funding provided by DSS. After this cut the Government was forced to introduce multiple rounds of emergency funding, to address gaps in frontline services.¹⁰⁵

3.93 The reductions in funding through the IAS were announced in the 2014-15 Budget, at the same time as the cuts and changes to the DSS tendering process. As reflected in a number of submissions, there are overlapping concerns about the two processes.¹⁰⁶ In the view of the committee both processes reflected fundamentally similar problems:

- a lack of consultation;
- rushed processes with poor transparency;
- cutting the number of funding areas created significant challenges as organisations had to refocus their applications;

103 Mr Tongue, PM&C, *Proof Committee Hansard*, 1 March 2016, p. 3.

104 See: <http://www.anao.gov.au/Publications/Audits-in-Progress?portfolio=6851D4DB02CD486CAD48406B81BF517C> (accessed 4 March 2016).

105 Senate Community Affairs References Committee, *Impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services*, 16 September 2015, p. 1.

106 Western Australian Council of Social Service, *Submission 49*, p. 2; National Congress of Australia's First Peoples, *Submission 84*, p. 10.

- uncertainty for providers, and negative impacts on smaller organisations; and
- resulting gaps in service delivery

3.94 It is concerning that such fundamentally similar failures were replicated across multiple areas.

3.95 In addition to the lack of consultation at the start of the process and the short timetable for transition, the committee is concerned about many elements of the program design. The committee questions the evidence base for the program design. While PM&C were able to identify the analysis done by the ANAO and the Department of Finance as the evidence underpinning the case for policy change to the service delivery of Indigenous programs, it did not articulate the evidence base for the development of the IAS as the means by which to address earlier policy failings in this area.

3.96 While there was support for streamlining, the five streams do not appear to clearly or adequately cover the field of programs required to meet the objectives of this policy shift. In addition, the shift to a competitive tendering model appeared to disadvantage Indigenous organisations. The IAS processes disadvantaged smaller Indigenous organisations with less experience in applying for competitive funding, and who lacked the resources to hire such expertise, compared with larger non-government organisations. The process also did not appear to recognise the enhanced outcomes of service delivery by Indigenous organisations.

3.97 The committee notes that the number of Indigenous organisations funded increased under the IAS grant funding round from about 30 per cent in December 2014 to about 45 per cent after the funding round.¹⁰⁷

3.98 The committee also notes the evidence from PM&C that there is no intention to do a further blanket funding round.¹⁰⁸ The committee understands that future funding rounds will be focussed on particular issues. The committee is concerned that the analysis and process by which these issues will be selected is unclear at this stage.

3.99 The committee notes the considerable administrative costs, \$1,759,622, incurred by engaging external organisations to assist with administration processes and probity advice. Despite all this assistance the administration issues were significant and included: an unreasonable timetable for applications; a lack of clear and reliable information available to applicants; a lack of clarity around incorporation requirements; and the advice and feedback to successful and unsuccessful applicants was often unclear and/or generic.

3.100 Changes to the process as it was underway, including the funding extension and the 'gap filling' processes, made it appear as if the IAS was being adapted on the run, which to many stakeholders meant the new process lacked transparency and was not a level playing field.

107 Senator the Hon Nigel Scullion, Minister for Indigenous Affairs, 'Minister Scullion: Greens not telling whole story on IAS funding', Media release, 5 May 2015.

108 Mr Tongue, PM&C, *Proof Committee Hansard*, 1 March 2016, p. 4.

3.101 Communication throughout the process was poor, confused and confusing. It was clear to the committee that due to the lack of appropriate communication and information, the process was not well understood as evidenced by almost half the applications being non-compliant.

3.102 The initial communication strategy appears to have given some stakeholders the impression that the IAS encouraged 'thinking big' and for pushing innovative solutions. This set expectations in the community that have not materialised. Combining these high expectations with the poor and confused process, the committee can understand why people are disappointed and, in some cases, even angry.

3.103 At the same time that aspirations for the programs were growing, funding was being cut to some programs. For all the upheaval created, the outcome appears to be that organisations funded previously have, by and large, been funded to do the same activities with less money. Of particular concern is that the funding uncertainty across the sector has led to experienced staff being lost.

3.104 The committee finds it profoundly disappointing that eight months after acknowledging shortcomings such as the lack of consultation and information provided to applicants, the situation does not appear to have improved. Many organisations are in the same position they were last year of having funding running out on 30 June 2016 and not knowing what the next steps are. This is despite the minister's assurances that the new process would result in longer term funding contracts. In addition the committee notes that the release of the revised guidelines to apply for funding that will need to start from 1 July has been delayed which will result again in a compressed period of time to lodge applications.

3.105 While some bedding down of processes is to be expected, from talking to the people affected, the committee has not been reassured that lessons are being learned. Of particular concern has been the loss of longstanding relationships between the line departments and the service providers on the ground. While witnesses spoke well of the PM&C officers in regional offices, applicants said they too had little information and the advice from the helpline is conflicting and confusing. The committee is very concerned that this loss of expertise and relationships has led to a disconnect between the people on the ground and their local needs and the decision making process undertaken in Canberra.

3.106 While the idea of IAS was welcomed, the committee believes the price paid by the Indigenous communities for implementing the unreasonable timetable was too high. This would appear to be a case of goodwill being hard to gain and easy to lose. The committee agrees with Mr Gooda's assessment that:

[T]o have confidence in the outcomes we have got to have confidence in the process.¹⁰⁹

3.107 Arising from this, the committee is concerned that the external review may not adequately address stakeholders' desire for greater involvement in program design and implementation. The process for the review appears to limit meaningful

109 *Committee Hansard*, 29 June 2015, p. 3.

engagement for stakeholders; the committee considers a review of this significance should be supported by clearly articulated terms of reference and a discussion paper, or other structured guidance to stakeholders about the scope of the review to assist them in preparing meaningful input. The decision to issue the revised guidelines in final form rather than as a draft further compounds these shortcomings.

3.108 The committee notes that PM&C acknowledged many of the shortcomings in the process. While the committee welcomes the PM&C review processes that have been underway, it notes that the findings of the internal review are very broad and do not appear to address many of the issues raised through this inquiry process. For example, the report concludes that 'despite the challenges, the processes that were in place for the first IAS open funding round were effective and enabled the round to be completed satisfactorily'. In relation to communication, a key area of concern throughout this report, the internal report notes that 'much was in place to support internal and external communication processes' and the development of a comprehensive external and internal communication plan was recommended. While the committee supports this action it is unclear whether this will address the significant communication issues identified in this report. The committee believes it is essential that the communication plan ensure that stakeholders are fully informed and have access to clear and timely information.

3.109 As extracts of the internal review released through the estimates process are very broad, the committee believes the entire review should be made public.

3.110 The committee is hopeful that the review processes undertaken, along with the revised guidelines will ultimately assist transparency and help the Department to gain back some of the trust and goodwill lost through this process. The committee strongly encourages the minister to release the revised guidelines as soon as possible.

3.111 The committee notes that the Auditor General has an audit in progress on the establishment and implementation of IAS. The committee strongly supports this audit being conducted to provide the committee and stakeholders with evidence of improvement and the committee will continue to monitor future IAS processes through estimates hearings.

Recommendation 1

3.112 The committee recommends that future tender rounds are not blanket competitive processes and are underpinned by robust service planning and needs mapping.

Recommendation 2

3.113 The committee recommends that future tendering processes should be planned strategically, with a clear sense of service gaps and community need based on consultation with local services and communities. A tendering or alternative funding process should be conducted in a manner which enhances the capacity of organisations to meet community needs.

Recommendation 3

3.114 The committee recommends that future selection criteria and funding guidelines should give weighting to the contribution and effectiveness of Aboriginal and Torres Strait Islander organisations to provide to their community beyond the service they are directly contracted to provide.

Recommendation 4

3.115 The committee recommends that where possible and appropriate, longer contracts be awarded to ensure stability so that organisations can plan and deliver sustainable services to their communities.

Recommendation 5

3.116 The committee recommends that the Department of the Prime Minister and Cabinet improve its overall Indigenous Advancement Strategy communication plan to ensure that all stakeholders are fully informed and have access to clear and timely information.

Recommendation 6

3.117 The committee recommends that the full internal review of the Indigenous Advancement Strategy process undertaken and facilitated by the Department of the Prime Minister and Cabinet be made public.

Recommendation 7

3.118 The committee recommends that the Government release the revised funding guidelines as a draft for consultation with Aboriginal and Torres Strait Islander communities and their organisations.

Recommendation 8

3.119 The committee recommends that Government prioritise investment in capacity building and support for smaller community controlled organisations in future tender processes.

Recommendation 9

3.120 The committee recommends that the Government act immediately to address the 30 June 2016 funding deadline for organisations.

Senator Jenny McAllister

Chair