



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON FAMILY AND COMMUNITY AFFAIRS

Reference: Competitive tendering of welfare service delivery

ADELAIDE

Monday, 16 February 1998

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES STANDING COMMITTEE
ON FAMILY AND COMMUNITY AFFAIRS

Members:

Mr Forrest (Chair)
Mr Quick (Deputy Chair)

Mr Ross Cameron	Mrs De-Anne Kelly
Ms Ellis	Mr Lieberman
Mrs Elson	Ms Macklin
Mrs Elizabeth Grace	Mr Allan Morris
Mr Jenkins	Dr Nelson
Mrs Johnston	Mrs West

Matters referred for inquiry into and report on:

The desirability and feasibility of increased contracting out of welfare service delivery by all service providers, with specific reference to:

the current levels of welfare service provision by the non-government welfare sector;

the adequacy of current monitoring of performance standards for services delivered by the non-government welfare sector;

the costs and benefits provided by increased contracting out of government services;

the role of government in standards setting and monitoring of accountability standards; and

the role of government in measuring the efficiency and effectiveness of new service delivery arrangements.

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Competitive tendering of welfare service delivery

ADELAIDE

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Present

Mr Forrest (Chair)

Mrs Elson

Mr Jenkins

Mrs Elizabeth Grace

Mrs De-Anne Kelly

Committee met at 9.00 a.m.

Mr Forrest took the chair.

CHAIR—I am pleased to open this sixth day of public hearings on the committee's inquiry into the competitive tendering of welfare service delivery, as referred by the Minister for Health and Family Services, the Hon. Dr Michael Wooldridge in April last year. The committee is looking at the desirability and feasibility of increased contracting out of welfare service delivery by all service providers.

The main issues to be resolved by the inquiry are to establish the current levels of welfare service provision by the non-government welfare sector, the adequacy of current monitoring of performance standards for services delivered, and the costs and benefits provided by increased contracting out. An important component of the committee's investigations is to examine the role of government in standards setting and monitoring of accountability standards as well as measuring the efficiency and effectiveness of new service delivery arrangements. It should also be stressed, and I do stress this at every inquiry we have had, that the inquiry is being conducted against the background of continued government responsibility for some services.

The hearing in Adelaide today follows hearings conducted at Melbourne, Sydney and Canberra last year, and Hobart last week. The hearing today provides an opportunity to explore issues with witnesses who have made submissions to the inquiry and will be followed by further such hearings in other capital cities, including Perth on Wednesday. The committee is also intending to visit a regional area in Queensland to gain information from service providers outside the capital city networks. It is particularly important to canvass the views of service providers in areas where population levels are low and dispersed over large distances. A number of committee members represent rural electorates.

The committee will take evidence today from the South Australian government and other locally based organisations who are closely involved in the delivery of health and welfare services. After the hearing this afternoon, the committee will visit the office of the Meals on Wheels service here in Adelaide. The South Australian Meals on Wheels service comes highly recommended.

[9.10 a.m.]

DEYELL, Mr Richard, Deputy Chief Executive Officer, Department of Human Services (Family and Community Services Group), PO Box 39, Rundle Mall, Adelaide, South Australia 5001

BELTCHEV, Mr George, Executive Director, Corporate Development, Department of Human Services, Citicentre Building, Hindmarsh Square, Adelaide, South Australia 5001

POWELL, Mr Lange John, Executive Director, Department of Human Services, Disability Services Office, PO Box 65, Rundle Mall, Adelaide, South Australia 5001

CHAIR—I now welcome representatives from the South Australian Department of Family and Community Services. Before we proceed, I need to point out that, whilst the committee does not swear its witnesses, the proceedings today are proceedings of the parliament and warrant the same respect as the House of Representatives itself. Any deliberate misleading of the committee may be regarded as contempt of the parliament. Since the publication of volumes of submissions in connection with the inquiry, the committee has received a submission from the South Australian Council of Social Services Incorporated dated 12 January 1998. It is proposed to incorporate the submission into today's transcript of evidence. Do members have any objection? There being no objection, it is so ordered.

The document read as follows—

CHAIR—I invite representatives from the South Australian Department of Family and Community Services to make an opening statement and to talk broadly about your submission; indeed, you need not feel compelled to read it all. It is on the public record. Yes, Mr Deyell?

Mr Deyell—I would like to start by perhaps putting in context the state submission, because there has been a major structural change in the public sector in South Australia since the submission was presented. That is why we are here as a trio instead of my sitting on my own.

The history is that the Family and Community Services portfolio, of which I was the chief executive, had a separate responsibility for welfare and community services. We were largely responsible for the drafting of the state government submission, in consultation with other agencies. In October/November last year, the government reorganised the public sector and became the Department of Human Services, which combined what was the Department of Family and Community Services with the Health Commission and Housing into the Department of Human Services. In preparation for meeting with you today, when we were having a discussion in the broader department, it seemed sensible to make available to the committee, if you wanted to pursue lines of inquiry, parts of the bigger department that may also have an interest and expertise in the area of contracting services in the non-government sector. Hence, my colleagues are with me from disability services and from the health group, as we call ourselves, with some experience in contracting and involvement with community-based services.

Having referred to the history, I go back to the early 1990s. In South Australia we have had a long history of services provided to the community, with a strong mix of community/agency involvement. We have a history where non-government agencies have been important service providers in the community services field in South Australia. So, for us, the changes over recent times have not been a move to more services being provided by the community services sector but, rather, a change in the nature of the relationship between the government and the non-government sector and providing those services. Those reforms really started, as I say, probably in the early 1990s and we were following a process of response to the government's expectation that public sector agencies would be pushing for greater efficiencies and greater effectiveness, certainly in the departmental operating costs; and we were required to apply that same examination of whether there are greater efficiencies and effectiveness that we can gather from the broad portfolio expenditure to apply that sort of approach to the significant proportion of our expenditure that goes straight to the non-government sector.

So, we started the process, if you like, of rolling reviews of the policies around which funding has been provided historically in South Australia and that has meant that we have developed a process of reviewing the policy and confirming with the government that this is its intention about the services it wants to see provided with the use of this particular bucket of public money. That has often involved extensive community consultation to ensure that the policy is not only meeting the government's need but also, in fact, reflecting the views of the community.

Once the policy has been signed off by the government, we have embarked on a process which we call in South Australia developing a services and funding plan, which is a more specific statement of what the policy is defined to achieve, what the range of services is, the quality of them, and the types of features that the government is looking for that this money is intended to provide. We have done that in a number of program areas. Having established that, yes, these are the sorts of services that need to be on the ground, we have embarked on a number of processes to make that happen. In most cases, we have an existing program and we have come up with a new set of policy priorities. It has been a matter of redistributing the excess funding around South Australia.

I picked up a point you made about the background of some of the members of your committee. A priority for us has been to get a broader distribution across the state where, traditionally, we have had a connection with the submission driven approaches. It has led, in South Australia, to a significant proportion of funding being in the city or in the metropolitan area, and there has been a concern that the services have not been provided sufficiently broadly across the state. That has been a factor in looking at the redistribution of a lot of our funding programs.

In the middle of some of those changes, in 1994-95 the state government issued a set of principles about contracting by which it expected all public service agencies to abide. That was driven by a lot of the contracting out that was happening in commercial areas, but we were required to take account of those principles, which were established by the Premier's Department. We were concerned, as indeed the people in the community services sector were telling us, that these principles were significantly commercially driven and so in 1996 we produced our own discussion paper to say that there must be different ways of making some of these processes relevant to the community services sector.

I understand that, with our submission, we tabled copies of our position paper 'Contracting and community services' where we start to identify that solely commercially based approaches like competitive tendering do need to take into account the fact that the community services sector is different and that we have to have processes that recognise that. Initially, as I say, we were required to comply with the principles established for the whole of government here, but over the last three or four years we have been working to find ways of doing those things which were appropriate to the sector. Our experience is that the actual implementation processes are quite complex and, as it is a relatively new area to us as well in community services, it is something we are continuing to work on and continuing to endeavour to improve. For example, we have used a range of approaches, ranging from completely open tendering through to open expressions of interest processes, through, in fact, to very selective expressions of interest processes where the only people we have asked to respond to a call have been agencies that were previously funded to provide the same service.

So, we have tried to develop a range of different approaches, depending on the nature of the service, and whether we believed there are agencies capable of providing the service. We made different judgments in relation to different programs, whether we needed a completely open process where anybody can bid, through to more selective processes. We are learning from that experience still, and are currently in the middle of

very extensive negotiations. We are just coming to a conclusion about one of our more recent examples, alternative care services.

In conclusion, the state government's view is that it has been necessary to look at this area of funding very closely and apply principles about examining efficiency and effectiveness in an open way, but we really have had to apply that to the programs that are funded solely from state funds, because with regard to the reform process that applies in the program areas that are joint Commonwealth/state funded—and, in my case, that is community care and supported assistance accommodation; my colleagues can talk about disability—our experience has been that, because it is a joint program and both levels of government are involved, the reform process has been slower. So, to get the efficiencies that the government has been expecting of me, I have been required to address the state funded programs as a matter of priority. The rest of our submission sets out in a little more detail the sorts of things we have tried and some of the issues and I am happy to take questions.

CHAIR—We very much appreciated the comprehensive submission from one of the few states that has responded, South Australia. There seems to be a distinction, though, between the concept of contracting out and what we have discovered is the debate about the process by which that is established. Probably our terms of reference were not as specific as they could have been in trying to get that distinction. From your comments, it seems that South Australia has been providing the service via a contracting process for a long time, but the new concern is the way that contract is established with a tendering process. You clearly make the distinction, but I observe from your comments that you are not as progressed on that tendering aspect as the perception might be out there.

Mr Deyell—We are certainly active in it. We do not have it at the refined stage that makes the most sense for the community services sector, we will accept that. We are still working out how you go through an open process that everybody can be aware of and informed about without actually driving competition to the point that is dysfunctional for the community services sector, where we do value components of collaboration and working together and where we can talk openly and see ourselves as one service system and not discrete and narrowly guarded service providers. We actually want a service system where people seeking the service can seek it in a more seamless way. To the extent that completely commercially based processes drive agencies to guard their own patch, then that is counterproductive to the better outcomes in community services.

The non-government sector in South Australia has said that it has felt that there are times when some of our processes have pushed them to that position. That is clearly not an outcome the state government wants. We would endeavour to work out ways as to how we can be responsive to those needs of the community services sector while meeting the government's requirement that we get maximum efficiency and effectiveness out of the public dollars that are spent in this way.

CHAIR—The other thing that the committee has picked up already is that there is a number of tendering processes. The old way of sort of submission based funding and lump sum funding for a specific program has moved towards a similar lump sum tender

process, but 'please provide a schedule of rates'. You may be able to advise me, but we have not come across a genuine tender where the total bottom line was the competitive element. Which style does the South Australian department favour?

Mr Deyell—I think we have nearly always used fixed priced tendering, so the amount of funding the government will commit to a service is known at the beginning. So we would say we are not driven solely by a price based bid.

The other side of that is that I recognise that agencies are required to then, in their presentations, say what level of service they can provide for those dollars, so perhaps it just drives the competition into aspects of quality and range of service, which I would say is more appropriate anyway, but it means that we are not looking for the lowest priced bidder in any particular process. I think I am right in saying that I do not think there is any process we have been through where we have not declared the quantum of funding being committed to the service system before, at the very beginning.

CHAIR—What you are trying to establish are some sort of quantitative indicators to select a performance based contract rather than a price driven contract?

Mr Deyell—Exactly. Ideally, we should have measures that the government is happy with and that the community services sector believes are valid measures of service or outcome. Of course, in community services, having the range of relevant data which the government, the department and the providers can agree are valid is a challenge for us. It is not an area where, in the past, we invested heavily in information systems but, in fact, for this type of approach or this relationship between the government and community sectors to work, we have to have better information with which all parties can be satisfied. That remains a challenge for us.

CHAIR—How do you choose? You have comparable agencies providing a similar service; it may even be overlapping. Then you say that you want a competitive based tender, of which you choose one of those two, but they could both be performing adequately. What is the driver that insists on the challenge? Is it because someone has performed badly and, therefore, you need some performance indicators to assist with the monitoring, or is it an arbitrary decision?

Mr Deyell—It is based on the pressures I talked about earlier, about the expectation that government departments are looking to maximise effectiveness and efficiency. When we look at grant areas that have grown up in a period where a number of agencies, through making submissions to government over time, have become involved in that particular service area, when we look at it now, maybe some 10 years later, a number of agencies are providing related services, including the department on some occasions, so we have had to ask the question: what is the best use of the funds committed to that service system with so many agencies? Could we be more efficient? Could we avoid some administrative overlap, some duplication of services, by opening the process up to re-examine the best way to provide the outcome? All the time the motivation has been, with pressure on the state funded end of the resources, how can we respond to the growing demands with a fixed bucket of money?

Our approach has been to try and drag much of the resources out of administrative overheads into front-line services. One way we have considered doing that is by changing the number of agencies involved, or inviting agencies, as happened in more recent processes, to join together to make a joint submission and work out themselves how they can streamline their administrative costs.

CHAIR—Have you been able to peruse the evidence that has been submitted to the committee from South Australian agencies to whom we will be talking later? Have you had an opportunity to read through those?

Mr Deyell—No, I have not.

CHAIR—We would probably like some response from the department to some of the serious assertions that are made. Perhaps, in fairness to you, we might have to take those on notice, or correspond.

Mr Deyell—We would be happy to do that. If there are particular issues that would be helpful to you to air today, accepting that I could provide a more comprehensive response, I am happy to respond now. I suspect my colleagues in the non-government sector have made me aware of those in our various conversations.

CHAIR—One of the other things that the committee has become aware of is that there are some examples of a bad outcome, but there is more concern about what might happen than what actually is happening. We discovered this particularly with respect to Meals on Wheels. In your submission, you provide some very useful criteria on what type of service you might consider for contracting out and competitive tendering, but I would like to explore which services you would say were completely unsuitable for that process. Are there any, or do you have any guidelines on which services you would not submit to the competitive tendering process?

Mr Deyell—It is exactly the issue the new Minister for Human Services has raised across the new department. These are his words, but they are words that have been used before in the sector; he clearly wants a relationship where the community services sector and the community generally feel a partnership with the government about addressing the range of issues that any community faces. He is concerned that we have processes that are appropriate to that sort of relationship and, accepting that there are times when we have a very technical approach to the management of part of our resources, that is in fact an internal process matter and it should not be the main topic of our conversation with the community services sector.

I guess I would accept the view that rather than focusing on what are the outcomes we are trying to achieve here, development of those new processes has probably been focused on in our conversation with the community services sector. I would accept, probably as we have struggled with the new approach to funding in some areas, that has probably been so in South Australia.

But we are thinking more in the department about how we draw that distinction

between where we should apply this quite specific and detailed process, and where is it not appropriate to apply that. In the department, we are starting to think about differentiating along the lines of what are specific services that the government has said it is taking responsibility for and ensuring that they are provided by the public sector or are provided for specific target groups through the non-government sector. There is a bundle of those services across the new agency. It tends to be where people are at some particular disadvantage and need access to services to sustain their family life, if I can describe it as loosely as that.

Then there is a range of services that are more involved with enhancing the quality of life in the community and the individual's well-being and that are not so specifically directed to, if you like, more crisis or interventional services. They are often services that rely heavily on significant components of volunteer input and they often are provided by a range of smaller agencies scattered around the state that do not have large infrastructures. We believe that it is inappropriate in those cases to have a terribly formal process that requires a significant administrative effort. We are still thinking our way through that. One approach we have discussed is whether we want to apply a monetary limit and say that any level of funding below a certain threshold does not warrant a more comprehensive process.

We have a range of programs that are clearly in that category now. For example, the government has set up a fund called Community Benefit SA. That is a \$3 million fund and the maximum grant is normally \$25,000. The intention is to spread that far and wide to a vast range of community driven projects. There are two funding cycles in a financial year and there is a degree of accountability, but it is certainly not a tender process. It is a submission process to an independent committee, which makes the decisions and passes them through to the minister to be paid. Across the portfolio there is a number of grant programs like that.

Smaller ones that come to mind are grants for seniors and Parenting SA, small grants that have nothing to do with contracting. It would be inappropriate even to consider it. We are quite clear that those programs sit over here where a significant process is not required.

We have the programs that I talked about earlier that are the state funded programs trying to provide direct services to specific target groups. We have to be clearer, I think—that is the next challenge in the development of this process—about what is the difference between whether you are in this bucket, where the government believes there needs to be an appropriate process about specifying outcomes, and some formal relationship that ensures that funding is appropriately managed; what is the difference between those services and the ones that are more appropriate for a grant process, recognising the volunteer effort and effectively supporting that notion of working more in partnership with the community than a contractual relationship.

CHAIR—One of the great things about the Australian tradition is volunteerism. We have received quite a lot of submissions that anecdotally make the connection that, by participating in these community programs, the volunteers themselves benefit; it has

beneficial health outcomes for senior citizens in the delivery of Meals on Wheels. However anecdotal it is, it makes some sense. Each of us has probably some family member that sees that benefit. There is a worry that, if you mix up the volunteer sector, which is basically managed by non-profit agencies, with a commercial-for-profit theme, you could completely undermine the whole principle of volunteerism. You have already made reference to that. I would be hopeful that your department would be mindful of that.

Mr Deyell—We are in discussions with some of the very agencies who have made the point to you about how do you recognise that voluntary effort. The other side of the coin is that some of those agencies are not small and receive millions of dollars of public funds. The challenge for us is to find an appropriate way that recognises that voluntary contribution in the process as we are establishing what is an appropriate contractual relationship.

CHAIR—And still sets up some measurement of performance and outcomes.

Mr Deyell—Or, indeed, specifically recognises that is the value the agency brings to the partnership arrangement. I think that is the nature of the conversation we have to take further: what are ways that will be acceptable to the government and for non-government providers, that the government recognises what they add by way of value to the process.

Mrs ELIZABETH GRACE—There is a real fear out there that the smaller agencies are going to be swamped by this competitive tendering. They do not have the infrastructure or the expertise, and yet they are providing a huge benefit to the community, not necessarily just in rural and regional areas because there are some urban ones that are doing just as well. They feel that it really is going to affect the rural and regional areas. You have raised that topic by saying that you have some ideas as to how this may be dealt with. But it is something that is a real fear out there. I would like you to qualify that a little further, if you could.

Mr Deyell—I accept that is a real fear and it is certainly a comment that we repeatedly are talking about in South Australia. I guess I would just put it in the context that it is the nature of community services that agencies come and go. Further, I am not sure that the extent to which this focus on these sorts of processes has exacerbated that tendency of agencies to come and go from the community welfare sector. The small agencies rely heavily on the goodwill of individuals. That has been a factor of community services for as long as I can remember. It is true that, in South Australia, people are saying the rate of that turnover has been exacerbated more recently. Still, I guess, coming from my position, I have an open mind as to what extent that has been over-accelerated by our focus on these accountability relationships.

However, I accept it is a strong statement in the community services sector that I am making. My view of future developments is that we need to specify what are grant programs and be clear about that; what sort of services does the government want to support by way of providing grants, which is a completely different relationship with the agency; and which are the services that it believes it needs to have a far more formal

contractual relationship with? If we add to that some notion around threshold, I think we can perhaps be a little clearer than in the past.

Mr JENKINS—I am interested in that comment, that, in the community service sector, agencies come and go. What are the examples in South Australia?

Mr Deyell—I am probably going to struggle, now that you have asked me for a specific example. I would be happy to look over our history and give some follow up.

Mr JENKINS—In Victoria, as a result of what I see as a trend to commercial bases for the community services sector, a number of the longstanding NGOs have had to go beyond just making strategic alliances with other agencies; they have come together. Many of them have been in existence for quite some time. The aspect of the phenomenon that has seen dramatic changes made in Victoria is that the small, localised agencies have really struggled, partly because of insufficient ability to attract their own internal funds from the community, but also, I have to acknowledge, because they do not have the management expertise. So, I have no great problem with these agencies becoming perhaps more professionally managed.

What I do have a problem with is that the accountability seems to be centred on the commercial side and whilst, if it is in the contract model of competitive tendering, there will be an obligation for an agency to provide services and we will all make efforts in trying to express them in terms of what could be measured, I tend to see that the government departments are more worried about the balance sheets and accountability of the money rather than really giving assistance with accountability on the provision of the service. I do not know whether you believe that is harsh criticism, or are you developing ways that you cannot only encourage the department to keep track of the funding side of it, but also, having developed these measures of performance, actually give assistance to make sure that those performances are being achieved?

Mr Deyell—I accept that the focus on process has probably led people to believe that we are doing it because we think there is some value in the process alone. The community public services sector is driven by the same ideals as the non-government part of the community services sector, which is to improve outcomes for people. I believe we are as committed to improving outcomes, and we are having as many conversations about what are valid measures and indicators of improved outcomes that the government will accept and which the community services will accept are reasonable from their point of view. But what I think has been a really useful development in South Australia to put alongside that focus on the contractual relationship is what I mentioned before—in our terms, quite large, unstructured programs—they are all small grants and the majority, therefore, of the recipients are small agencies. I say ‘unstructured’. There is a set of criteria through a program like Community Benefit SA, which is now in at least its second financial year, if not third, and there the process is where, if a group of independent people the government has appointed is satisfied with the presentation from the hundreds of small agencies that apply, and there is some broad agreement between the board and the agency about what they are trying to achieve and about what the outcomes are, then there is no more process.

I think they are required to submit a letter and some statement at the end of the financial year that the money was spent on the purpose for which it was intended. You can say it and write it as quickly as that for a grant anything lower than \$25,000, which this funding committee normally establishes is an entirely appropriate process, and the government is perfectly happy with that approach. For those agencies, there is no significant administrative effort. Those funds are also available to be accessed by the large agencies where we may have a contractual arrangement with them in the service area over here, but to respond to some new emerging need that does not fall within the boundaries of our program over here, they can also apply for these grants—and do.

I think it has been a very useful way of responding to new needs that, traditionally, programs are slow to respond to; because we have the criteria over here, how do you include new services? Whereas these unstructured, solely grant based funds, I believe, are supporting that sort of initiative in South Australia.

CHAIR—Mr Beltchev, you indicated that you wanted to make a response?

Mr Beltchev—I am talking from the health sector perspective. The issue of focusing on commercial benefit is something which has been tackled in the health sector by undertaking two exercises. One is to attempt to identify what a benchmark price is for the delivery of a particular service, so there is some sense of what is the best value for money for the provision of that particular service. Traditionally, all the non-government sector agencies, the not-for-profit agencies in the health sector, have been grant funded. The focus has really been not so much on the amount of money but what is delivered by the agency for that dollar. So, the focus is becoming more on the quality and the quantity of the service which is provided; in the end, attempting to get to a point of maximum value for the dollar.

Can I refer back to the matter that you raised earlier, Mr Chairman, again from a health perspective? Everything you raised was important, but two points in particular were especially so. You raised the question of where there were any services which could not be commercialised or contracted out, and again I am speaking from the health aspect. One of those services, which I do not think can, by definition, be tendered out are the services provided by self-help groups. In particular, I am referring to the mental health system where the largest group of agencies providing support services are self-help groups. They are currently grant funded, and a similar exercise to the one I have just referred to has been undertaken over the last three years, to work with these agencies to introduce different expectations of what their core business is, giving some support for the provision of the services they do. They then have some kind of measure about their effectiveness.

I cannot envisage services provided, for example, by the Schizophrenia Fellowship being sent out to open tender. It is, essentially, a self-help organisation.

CHAIR—What about child protection services, would that be a category as well?

Mr Beltchev—I am sure Richard is more informed than I am.

Mr Deyell—The difference would be a number of the child protection functions are set in statute and in South Australia the position certainly has been that the government sees that those statutory functions should be provided by a statutory agency.

Mrs ELSON—With the disability services—and they are defined in so many different areas also—would competitive tenders force these organisations to join together, even though there are specialty and different groups that need different cares and support? Would that be a disadvantage to people using those services to be under the one roof?

Mr Beltchev—Can I respond from a health perspective? What we have been doing in the health sector is encouraging self-help groups with common interests to come together, not so much for the delivery of the service itself but for administrative ease. For example, we have funded here a mental health resource centre, which provides accommodation and an administrative base and supports things like libraries, et cetera, and common meeting rooms for these agencies. These agencies co-locate and then there are synergies developed by the co-location, and certainly the resources which are then used for each of them to administer themselves, as well as the resources needed, are reduced. That will be converted into straight service delivery. In that respect, I think that can occur.

But, again, I think essentially the anorexia group is a self-help group of people who suffer from that condition. It really is very much a support system. Of course, there are other professional agencies which provide clinical services, but these self-help groups are less clinically based and more support based.

Mr Powell—Could I inject a couple of perspectives from the disability area and comment on a couple of matters? The particular issue I would like to bring forward is that of consumer choice. You asked earlier, Mr Chairman, how, for example, funding agencies or purchasing organisations could choose between two competing service providers which were of much the same standard. In statutory services, obviously, that is a more difficult issue. In disability services, however, where access and take-up of services is, to some extent, voluntary, we are trying hard to provide consumers with a choice of service delivery. That impacts on issues like volunteerism. There are, for example, parents with children of intellectual disability who are very comfortable with small, locally based agencies that are delivering services, often with volunteer input, that may not have the full array of competitive tendering skills that might make them stronger. But the fact that consumers are voting with their feet to some degree and saying that they like this service and it suits them is a strong competitive element, or competitive edge in some cases, which does not necessarily relate to size.

For example, we have recently, through one of the five purchasing organisations that operate within the disability field in South Australia, put out for tender \$2.2 million worth of day options programs for young people with intellectual disability. We have shifted from a model of grant funding the service provider, which, up until now, has offered this service, to putting funds in the hands of the consuming families. Late last year there was a small expo of the different providers of day options programs. They hung up their shingle, for example, in a hotel and people were invited to come and discuss with them what the different options were. Given that the purchasing power rested with the

families and not with the service provider, they were able to express a choice and pick up a choice. So, we have an array of service providers, some quite large, some however really very small and dealing with a small number of clients, but the consumers have been able to effect their choice. We are still learning that process.

In that particular example, as you may hear later today, there have been difficulties with the actual mechanism of tendering, but I think the concept of consumer choice as a means of guiding the way that the purchasing decisions are made is an important one to put on the table, certainly in the disabilities field.

Mr Jenkins, you asked earlier about agencies coming and going. I think probably the impact of competitive tendering has had some influence there. However, after about 20 years of dealing with voluntary organisations, I am aware that there is a natural life cycle to a lot of voluntary non-government organisations, particularly in the self-help organisation, and that life cycle depends on a whole lot of factors other than financial stability. It depends very much on the individuals who are involved, and on the skills that they have, certainly, but also on the energy they can bring to it.

I have been involved in a couple of voluntary organisations in the education area that started off through a very powerful move by a group of parents to set up an alternative school, but over the years, as their children grow up and move on to higher levels of education, that same kind of motivating factor is not necessarily there. I think that probably applies in a range of areas, particularly small organisations that do not have an administrative and financial critical mass to keep them going through high times and low times.

Mr Beltchev—Could I, again following on from what Lange has said, introduce another perspective of the competitive tendering contracting out? Again, I refer to the mental health side within this state, in that, recently, there were some services that went through a very public process of tendering out. That was done with a very different motive or a different intent than the one discussed already. That was to address the issue that, traditionally, within this state, mental health services was a closed system, and you had essentially the public provider, the South Australian Health Commission, the self-help groups and a small number of private for-profit hospitals. It was the intention of the health commission at the time to broaden the base of involvement within the mental health system.

Many mainstream non-government community support agencies had a lot of dealings on the fringe with people with a mental illness, but never in a formal sense. We quite deliberately undertook a process of tendering out and encouraging some of the mainstream agencies to become interested in the delivery of those services. As a consequence, that has been, I believe, quite successful.

One example is that the whole of the accommodation support system, which was run by the health commission itself, was put out to tender and one of the major non-government agencies, which was very well experienced and very successful in providing support accommodation, was successful. Similarly, there have been three pilots operating

for the provision of what is called a neighbourhood network service. Again, an open competitive tendering process was entered into in order to provide the opportunity to people, who were suffering from a disability arising out of serious mental illness, to link in with community activity, whereas, previously, they were isolated. There is an example of a different motive for using resources, that we had to encourage the non-government sector to become more directly and more formally involved in the provision of services.

CHAIR—There are a number of questions I would like to pursue, and I am happy for you to take them on notice, given that you may not have had an opportunity to read all the submissions. The Lutheran Community Care people are very critical of the process. The Adelaide Central Mission has given examples of poor outcomes. The South Australian community service organisations have been very critical, although probably more about what might happen than what is happening. A very serious assertion is made in the submission from the Lutheran Community Care. It is disappointing if the outcome at the end of the process does not give people faith that they can believe in a process where somebody was chosen because the assessment was that they were able to deliver a better quality outcome. The assertion they have made is really quite serious about a political process of intervention that occurred. I do not want to believe that that happens. I am hoping you can assure the committee that the process is thorough and objective all the way through. Are you aware of their criticism in that regard?

Mr Deyell—Yes, I am. I guess I would link it back to comments I made previously, that I think we need still to improve the information about the process we are going through. My reaction to some of the criticism is that both the department and the minister's office, who are involved in the processing of the final decision, needed to be clearer, in retrospect, about what was happening at various stages. The minister is free to ask for more information after receipt of formal advice from an independent evaluation panel. But if agencies were not expecting it, and then found the minister was doing something they had not anticipated, then that has led, I believe, to some questions about process. Looking at my role in that, in retrospect, it would have been useful had we been able to say to all the agencies at the beginning of that process: this is what the department will do, this is what the independent evaluation panel will do, and this is what the minister will do. That may have addressed some of the retrospective criticism.

CHAIR—In my former life, I have been involved in a lot of tenders and contracts, but it is normal, if there is a changed emphasis somewhere down the track, that every tenderer is given an opportunity to resubmit the same information. That just protects the integrity of the process. Was that done in this case, or was it not done, or was it the case that one of the tenderers did not supply sufficient information to make a proper evaluation?

Mr Deyell—I believe that it is addressing actions at the end of the ministerial decision, which I am not in a position to comment about. From the department's point of view and the evaluation panel's point of view, information was submitted. There was another step where the minister sought additional information from the panel and the department, but not from the tenderers. The minister then chose to make a decision after receiving that additional information. That is the part of the process that I had not

anticipated and, therefore, when we sat with the tenderers at the beginning, we had not specified that that would happen. I certainly agree with the principle that you outlined, that if there is any variation in the process, then all parties should have equal knowledge about that and equal opportunity to respond to it.

CHAIR—For anyone to have any faith in it, the integrity of the tendering process must be preserved. Then they can live with the outcome. Have you had an opportunity to look at those criticisms by SACOSS?

Mr Deyell—I am happy to take it on notice. It has been an ongoing topic of discussion between the department, SACOSS, the previous minister, and the current minister. SACOSS has not only made its view known, but we have gone out of our way to hear their view. I have not read it, but I would expect that I will be able to respond to you more comprehensively once I have heard their concerns about the application of competitive tendering to a community services sector that is not driven by the same sorts of incentives, structures and markets that exist in the commercial field.

CHAIR—We have gone a little over time, but I am quite keen to have ongoing contact with the department.

Mr JENKINS—Again, I apologise that my experience of this is a Victorian experience and this is also jaundiced, because I do not necessarily agree with what the Victorian government is doing on most things. Having said that, the Victorian experience is that early on, when competitive tendering commenced, because of the competition between agencies, it really led to things that went beyond competition, so we had agencies that had been cooperative on the ground, cooperative with exchange of information, and cooperative with exchange of resources. Because they were put into a competitive environment, a lot of that closed down. It then became even worse, because you then had situations, perhaps as might be felt by some of the organisations that are presenting to us today, that there was inside running and things like that.

In Victoria, we appear to have gone beyond that phase. We are trying to come to terms with new expressions like strategic alliances, cross-sectoral cooperation and things like that. One of the elements of this is that there is an expectation that agencies will come together and submit jointly. I am not too sure where this has come from. On my bad days, I believe that, if everybody comes together and they jointly submit, it is a win-win situation; they all get a cut of the action. That might be being too sceptical about the whole process. There seems to be a trend where each year goes by and there is a slight variation on the way that, in Victoria, government departments believe that these submissions should be presented. I am not too sure whether it is a straight tendering process or a submission process. I would be interested to see if you think it is a clear-cut tendering process, or it is a variation on a more traditional submission, with a contract at the end of the day.

Mr Deyell—To answer the last question first, it is clearly a variation on a tendering process, not a variation on a submission driven process, but the variations that we are trying to use more are, if we know there is only a limited number of providers who

can provide the service, then rather than open it up beyond, just talk to those service providers. Then, having spoken to them, call for their tender, following on from the discussion around their expression of interest. I would regard that as a tender process. In some cases, that has led to agencies joining together to present a joint tender. Whether that is good or bad, I suppose time will tell.

I would offer the observation that, in my view, that process makes the competition more open, and I would have to say I do not personally see a lot of different activity or behaviour by the agencies as compared with 10 years ago, when it was solely submission-driven, and criticisms now about whether people can influence the process by whom they know are rife. That is how it happened 10 years ago. My perspective is that the process is actually making that more honest and open and, because it does, in a sense it is a bit more on the table, everybody can see it, and it is easy to criticise it. No-one chose to criticise it 10 years ago, because how do you know who had influenced a submission driven outcome?

My view is that that process had more warts than this process. I have never claimed, in this discussion with you, that we have it completely right, but I do believe this is a far more open and transparent system, warts and all, than what it has replaced. The challenge is to make it outcome focused in a way that is not dysfunctional to the very element of what the community services sector is about. I agree that we want people to collaborate and jointly provide services that, in a way, for the end result and for the consumer, provides a range of services that meets their needs. How we organise to do that should not be getting in the road of how those services are delivered.

Mr JENKINS—Do you believe that organisations are more insular because of the process; they tend not to sort of work up things together?

Mr Deyell—It is not my experience. I suppose it is all relative. I am a relative newcomer to South Australia and, while individual agencies in South Australia may feel a little less comfortable with that process, in my view, it is a far more coherent community services sector than in other communities where I have operated in a similar role. I suppose that, because people in South Australia feel it is more disruptive, then it is, but, as a state, in my view we are still far more cohesive.

I do not want to sound too light-hearted about this, but I could not help but reflect that the presentation you were going to get from the last item on your agenda is, in fact, a joint submission from agencies that would otherwise not be able to talk to each other because they have been through the same competitive process, and yet, in South Australia, we are still able to have that conversation and express the criticism that you have before you. I doubt that there would be any criticism that I am not aware of—and I accept they are entitled to those criticisms. I think the positive out of that is that I would expect to know them and I would be surprised if the minister did not know those and is not asking me what am I doing to address them.

Mr Powell—Just adding on to this question of putting together different agencies, can I reflect on some previous experience? Before I came to the disabilities services

office, I was in another part of the Department of Human Services where we were investigating opportunities for commercial application of our intellectual property and skills and resources as a means to broaden the funding base for the organisation. One avenue by which we did that was to start bidding for AusAID contracts and looking at Asian Development Bank work in developing parts of the Asia Pacific region.

It very quickly became clear to me, both on AusAID's advice and from my own experience, that the kind of capabilities that had to be drawn together in order to be able to meet the contractual requirements of a particular set of circumstances were not likely to be found just in one organisation. I observed with a lot of interest how almost a process of virtual consortiums spanning across private for-profit, non-government, academic and government circles used to come into being in order to bid for a particular commercial opportunity. I suppose AusAID and Asian Development Bank work is not necessarily analogous to welfare services but, essentially, the concept could, I think, be applied in the community service area, namely, that we have different client populations who require a different set or different mix of skills and capabilities from different agencies.

We hope that that can happen, certainly in the disabilities sector that that can happen, that the sources of those different capabilities can get together to bid for work.

CHAIR—Last question from De-Anne Kelly. We really have to wrap it up. We have a lot of people to get through.

Mrs DE-ANNE KELLY—We have gone over time. You said that, warts and all, you believe it is a better system. What safeguards are there to ensure that one does not eventually get the situation where Big Rooster is delivering Meals on Wheels, where the volunteer and the human component has totally gone out of it? I accept the statement you have made and I appreciate that, but what stops it going to an utterly and completely commercial basis for the delivery of a caring service?

Mr Deyell—The future will see that we will have funding arrangements that are quite separate. I referred before to the fact that there will be a significant part of the funding programs to which there will attach no contracting or tendering process, but there will be services to which the government says they are committed to ensuring those specific services are provided—not just responding to someone who has a good idea at the local level that we would like to provide: 'Do you think it is a good idea?' 'Yes, here's \$10,000.' But the government has undertaken to provide the sort of thing that George was talking about with regard to mental health services. What options do we want available in South Australia for disabled people? What family support services and family preservation services do we want to have on the ground in South Australia? We want those services provided. We should maintain appropriate contractual arrangements where the government says that we have accepted that we want those services in the community. Responding to local community needs is quite different to responding to community driven proposals and the government just says that it seems like a good idea and here are some resources to help you do it.

CHAIR—Page 13 of your submission has a pie chart on the breakup of the family

and community service funding mix. We do not have the benefit of colours in our photocopy, but the paragraph underneath that chart states that \$46.7 million on that pie chart is non-government and \$30.3 million is contracted family. Could you just explain the three figures? The paragraph does not do it justice.

Mr Deyell—It is designed to separate what are services provided directly by what was then the Family and Community Services Department, and that is the \$46.7 million, which is the third item in the box: ‘government, \$46.7 million’ indicates government provided services. Then the other two figures, the 30 and the 67, which add to the 97, are ones that are provided by way of the funding and grant programs.

CHAIR—Thank you very much for your time and attendance today. I would like you, if you could spare us the time, to help us with a response to the other submissions. Perhaps you could contact our liaison person.

Mr Deyell—You can see from our submissions the topics in which we are interested and we are interested in any further dialogue or correspondence, if it will help.

[10.09 a.m.]

FITZPATRICK, Mrs Colleen Astrid, Director, Lutheran Community Care, 309 Prospect Road, Blair Athol, South Australia 5084

WERE, Mr Gregory Joseph, Manager, Low Income Services, Lutheran Community Care, 309 Prospect Road, Blair Athol, South Australia 5084

CHAIR—I welcome to the table representatives from Lutheran Community Care. I need to point out that, whilst this committee does not swear its witnesses, the proceedings today are legal proceedings of the parliament and warrant the same respect as the proceedings of the House of Representatives itself. Any deliberate misleading of the committee may be regarded as a contempt of the parliament. We have your submission as part of the volumes of the inquiry already on the public record. You need not feel a necessity to read it right through. I would like to give you both an opportunity perhaps to make some brief, salient points in respect of your submission, and then we will proceed to questions from the committee.

Mrs Fitzpatrick—Thank you for the opportunity for making a presentation to the committee and I really value such an opportunity. As you will see from our submission, it was written very soon after the outcomes of the tender had been made known, and I think it expresses some of the personal issues which I mentioned in the tender. Time has passed since then, and things have progressed. As you can see, that was a reflection of how I was feeling at the time, but I would say the level of emotion is much less now.

I wanted, in my introductory remarks, to refer to the criteria again and provide some extra information. When we are looking at current levels of service provision by the non-government welfare sector, we see that there are real gaps in a number of geographic areas and one of those areas is the Kilburn-Blair Athol area, where our agency is situated. In tendering for services, it is sometimes difficult to provide a good spread of services if you are providing in a large area, and one of the programs that we provide is the low income support program, in which Greg is involved, where we are providing services across a quarter of the Adelaide metropolitan area, and overseas into Kangaroo Island, where it is really difficult to get a reasonable spread of the services. I would just like to flag that we are really aware that there are holes in the community within our services.

We really have also struggled in the Commonwealth field when we have been tendering for services from the Attorney-General's Department. When tenders are called for, people need to know the geography and, when they are talking about the Lower Yorke Peninsula, for example, it does not really cover what we call the Mid North in South Australia. That has led to a lot of extra time being taken as we clarify exactly the areas that are expected to be covered within the tender. I would like also to point out that I am a member of the board for Community Benefit SA, about which the previous witnesses spoke. I wish to endorse their comments about the self-help groups and also say that the Community Benefit SA board is delighted to be able to be responsive to some of the gaps in the service areas and to support some of the really worthwhile and very pragmatic self-help groups that we have in this state.

But the difficulty with that is that that funding is not ongoing, and that is a constant problem in service deliveries, the lack of ongoing funding that can be available for the staff and for infrastructure.

I wish just briefly to comment on the adequacy of current monitoring of performance standards for services delivered by non-government welfare since we submitted our written proposal. I wish to refer to experiences more particularly in our relationship education program, and we have some concern about the time that is taken in training and completing forms and collecting data in some programs. We know the time that has been taken there and that applies in the SAAP, the supported accommodation assistance program, as well as in other programs. The time taken for collecting data is time that is taken away from working with service users. We would like to flag that sometimes it seems that it is a waste of time, in that the information that comes out at the end is not useable for any practical purpose.

We also struggled with the fact that there are different methods of measuring performance standards in each contract that we have. We have probably about half a dozen contracts and tenders that we are fulfilling at the moment and they each have different performance measures. It is really difficult for an organisation to develop ways of collecting statistics and data, because we are a medium-sized organisation; we are not a large organisation. We are not always sure of what is wanted, either, what sort of outcomes and outputs are being requested. That is particularly again true of Greg's program, which is a community development program.

I would also like to say that, when we talk about the costs and benefits provided by the increased contracting out of government services, our organisation sees that there is something of an anomaly about Christian organisations competing with each other and to state that we are committed to serving the poor and that we know there are more poor than there are resources. The anomaly seems to be that we are competing for the poor. There are more than enough poor to go around and the resources we put into the tendering process are again withdrawn from direct service provision. We believe that, in organisation and in cooperation, there can be competition as well. That is all I would like to say in my opening comments.

Mr Were—I am involved in Lutheran Community Care and manage a mix of federal and state funded programs. I guess one of the concerns I have about some of the state funded programs is that there is often capped funding for particular programs. There is a set amount for that program.

Pro rata arrangements for rural programs are always a concern to me. Our program, the low income support program, is a difficult program to run over a large metropolitan area, but it is increasingly difficult for rural organisations to run the program when there is no additional funding for travel and those sort of arrangements for staff.

Another issue or concern that I had within the programs, because I am working with both federal and state funding, is looking at the different models of evaluation for our programs. One of the programs that we operate in has fairly clear forms to evaluate our

programs, but with regard to some of the other programs that we operate, the evaluation is less clear and less easy to follow. That is a general concern that I have.

The other issue I would like to raise is small versus large non-government work for organisations that we talked about earlier this morning. I do see a lot of very small organisations in my work that seem to be pushed out of the welfare scene, because they just do not have the resources to tender effectively for their programs. Some of those organisations have a great richness to bring to the field. They often have very creative staff, they are often less inhibited by bureaucratic issues within the sector and they often work very closely at the coalface with clients.

The final point I would like to make is that there are lots of small non-government organisations out there doing very good work that are really concerned about their future.

CHAIR—I take your point about the paperwork in satisfying the contractual arrangements, but you would understand the need to have some measures when the whole emphasis is to be good outcomes, the delivery of a service.

Mrs Fitzpatrick—Absolutely.

CHAIR—What is a suggested easier way to do all that that does not involve somebody re-collecting data and transmitting it in a reusable form that can be assessed? I am a little concerned about your comment that it cannot be used. One would hope it does not end up as a pile of paper somewhere. We need to be able, in 10 years time, to say that that model worked very well and these were the outcomes and to throw more money at successful models rather than poor models.

Mrs Fitzpatrick—I agree with you wholeheartedly that we need to be accountable in the way that we spend the tender money that we receive and I would not question that at all. I am aware that, within the SAAP system, the statistics that come back have been quoted in reports, but they are very difficult to make sense of. One of the things they ask for and with which my staff struggle is anyone who phones up for accommodation has to have a form filled out. When you have a place that provides six or seven residential units, in any one day they could have 10 or 12 enquiries for accommodation, so information is to be collected. Often, people who are looking for accommodation want accommodation; they do not want to be involved in filling out a form. It takes a lot of the staff's time and it takes a lot of time away for the search for accommodation for these people and for what purpose? Because they are often going around from service to service. That is what they have to do to find somewhere to live.

CHAIR—Do the bureaucracies that manage these programs have regular dialogue about the appropriateness of information and a better way to collect it? Is that development of monitoring criteria happening to your satisfaction, Mrs Fitzpatrick?

Mrs Fitzpatrick—No, it is not happening to my satisfaction. I do not know how regular the dialogue is. I am not aware of that.

Mrs ELSON—Mr Powell from the disabilities services said before that the ideal program is to bring all the community support groups that are out there and looking after programs together under one administration. Could you see the church-based community and support programs being able to work together? I have been in that area before. I know that each one provides an individual service. We did try to bring a dozen different disability groups together to see if we could perform something like that in Queensland. Everybody's needs were so different. Everybody was protecting that need to make sure they did not lose that in the community. Can you see the churches that are providing community support like that working together?

Mrs Fitzpatrick—I see, for example, my own church, which is really the only one that I can talk about—that is the Lutheran Church—where there is a great deal of pride of ownership within the church about the work that is undertaken within the programs we run. That pride of ownership is shown in all sorts of tangible and intangible ways. So, it is something; they are a bit parochial about it, are the Lutheran people.

Mrs ELSON—I think all of them would be.

Mrs Fitzpatrick—So, I see real value in maintaining that diversity.

Mrs ELSON—They could not have that community of interest.

Mrs Fitzpatrick—That is right. You also rely a lot on financial donations, but also help in kind and principle. That is really important to us in the work that we undertake.

CHAIR—That is why I was a little disturbed to read on page 4 of your submission where you say:

We also draw heavily on our church members and feel some commitment to provide some services to them.

I would have thought the majority of the services would be delivered to church members, would it not?

Mrs Fitzpatrick—No, not at all; very little of the donation money that is sent in by the churches goes back to servicing church people. The donations that come to Lutheran Community Care provide for my salary; for a counsellor, who will counsel anybody who makes an appointment to see him and who supervises a number of volunteers; to coordinate an emergency relief program; and to pay for the infrastructure that is not provided within the tendering system.

We run quite an active education program within the churches, but that has to be user pays. So congregations, individuals and schools will give money to us to support us. If we offer them something, quite often we have to charge.

CHAIR—This is the extension of the Lutheran Christian ministry to the community?

Mrs Fitzpatrick—Yes. It is the caring arm, the service ministry of the church within the community.

Mrs ELIZABETH GRACE—You commented before that the different performance standards for the different contracts is quite difficult and obviously time consuming, because you have not got a pattern there. Is it possible to make these uniform, or is it because of the different types of programs that you have? I am asking you, because you are there at the coalface. Is it possible for the performance standards to be not blanket uniform but to have some continuity or some similarity?

Mrs Fitzpatrick—I would imagine that it would be possible for there to be more similarity than there is. I know that in some we are talking about units of education and in some places it is units of accommodation we are providing, but there is a commonality. It is a finite group of things that is being offered. To my simple mind, it would seem quite logical that it could be.

Mrs ELIZABETH GRACE—That is an area that you think needs looking at further?

Mrs Fitzpatrick—Yes.

Mrs ELIZABETH GRACE—To come up with something that would save you both time and money, is that right, from collecting statistics and putting them together?

Mrs Fitzpatrick—Yes. If we had a more uniform way of collecting statistics.

Mrs ELSON—I am curious about your Community Benefit SA. Is that derived from the gambling machines, or is that allocation of funds put aside by the South Australian government?

Mrs Fitzpatrick—It is allocated from the gambling machines.

CHAIR—Could I just make an observation, that for someone who has a fairly sincere Christian ethic, it disturbs me that a view is developing amongst the Christian networks—not just in South Australia; we have discovered it everywhere—regarding concerns about the competition and therefore that reduces the capacity, the cooperation and so forth. The end result surely for the Christian churches ought to be outcomes, not who supplies it. Could you comment on that? We are picking up this theme everywhere. Surely there is one organisation, or a group of organisations that have a common ethic at least who could work together. The focus should be outcome, not who delivers it. Can you comment on that?

Mr Were—What makes you think it is any different? There might just be argument about outcomes.

CHAIR—It seems to me to be contrary to the whole Christian ethic. It is not about who delivers; it is about whether it gets delivered and whether it gets delivered in the best

way that gets an outcome and prevents some needy soul from going through undue torment and tragedy. It is just disturbing to me that the Christian organisations can say that our capacity to cooperate is reduced by a process of competitive tendering especially when, in your submission, you quite rightly acknowledge there are some programs you have been successful with. You are not going to get all of them, but you do get some of them and it is sort of made to go around, in a way.

Mrs Fitzpatrick—The churches are made up of people. Perhaps if I talk about how I view it. In order to go into a tendering process, it is like applying for a job, and you have to want it and want it and want it so that you can write a convincing tender. So, with this process, if the tender is not successful, then it really is difficult, particularly in some circumstances, to cope with not getting a tender, as I think I have highlighted in my submission. We are constantly being put into a situation where we are competing for scarce resources, and we are being forced to develop in ways that we were not necessarily planning. It is very difficult to plan strategically when you do not know what else is going to be called for in the tenders.

We have some ideas, but we have got the program that Greg's involved with. We were told that would finish in June this year; the funding cycle is to finish then. Now, we do not know if that tender is going to be called for before June, or if it is going to be rolled over, or what is going to be happening, and if the tenders are called for again, then somebody else might think, 'Well, that looks a really interesting thing to do' and they might compete against us. If another organisation were successful in that we would find that really difficult to cope with, because that would mean that Greg would have to leave the organisation, and he would take with him all the valuable things that he brings to us. So, it is very complex, because if you are tendering for something that you are already providing, your organisation is committed to that.

CHAIR—Are there some processes around that have a triennium rather than 12 months?

Mrs Fitzpatrick—It is a triennium process, but you come to the end of the three years and you go into that, too. We are new to this. We are learning, and we are learning what it is doing to us as we go along. We are learning of the effects it is having on us as individuals and as heads of agencies and I am sure you will hear more of that later today when my colleagues speak to you.

Mr JENKINS—I think this is an important thing—because I come from a slightly different angle—but matters to do with the faith. These are caring organisations, and I think that, because they are caring organisations, they do have some difficulty about being placed in this environment of competitive tendering. That was the point I was trying to make with the South Australian government: my frustration that, with regard to organisations that could be just focused on the outcomes and do that by cooperation, there are impediments to being able to do that, because they have responsibilities for management of their own organisation. At the same time, when they are trying to have something refunded, it impinges upon other aspects of the health of the agency and I think that that is one of the great frustrations that organisations are showing.

I get the same feeling from Mrs Fitzpatrick. I find the way in which the cycles occur really disturbing. There is a period towards the end of the funding cycle when there is doubt over the future. It means that people who are in place doing programs can quite rightly be thinking, 'What is around the corner? Should I look elsewhere?'

Mrs Fitzpatrick—That is right.

Mr JENKINS—I worry about the inefficiencies that creates.

Mrs Fitzpatrick—Yes.

Mr JENKINS—As against the supposed efficiencies that we are to gain.

CHAIR—I am looking for solutions. I think some practical suggestions will come out of it. If you lease an office space and you are both a bit unsure, you take a three-year option, with a three-year option to renew, so you sort of cover the two aspects, one to give the security in case your business fails, or whatever it is. If the performance indicators are there and your organisation has delivered a very successful service and it satisfied the criteria, all that needs to be done is to renegotiate some better performance criteria, because things have changed in three years, rather than say, 'That is the end of it, let's retender the whole thing.' If you have a good organisation, it is throwing the baby out with the bathwater.

Mr Were—You could be doing well in your own program, but if the other providers are not and the government wants to review the whole program—

Mrs ELIZABETH GRACE—They take you with them.

Mr Were—There is not that guarantee.

Mrs Fitzpatrick—One of our colleagues was providing a successful service. The funding round came to an end. They had been asking what was happening and had no response. They disbanded the service, got rid of all the officers, and a week or two later were given a new contract to do exactly the same thing. Then they have to go through the whole setting up phase again.

CHAIR—There would be some milestones along the process: one year out, a review, and how things are going; and then second year out, some negotiations start for the next triennium.

Mrs ELIZABETH GRACE—One of the other things you would find here—and we find it in Queensland—is that, with the decentralisation and the large rural component that you have—and your rural component does not travel quite as far as ours because of the state sizes—your program might be working here in South Australia, or our program might be working in western Queensland, but it is not working in Victoria, so they scrub the whole thing. Do you find that sort of thing can happen, too, that if it is a national thing that you have tendered for, sometimes that can pull you down because it has not

worked in one of the other states or areas?

Mrs Fitzpatrick—Our experience is that national programs are not as sensitive to local needs, certainly.

Mr JENKINS—With regard to the notion that appears to be developing in Victoria for cooperation between agencies, is that something that you would be open to: that agencies would be forced to put together strategic alliance type proposals where you and other agencies might be forced to come together to put in a funding submission or a tender submission?

Mrs Fitzpatrick—Yes.

Mr JENKINS—Is that a problem?

Mrs Fitzpatrick—No, that is not a problem. It perhaps magnifies other problems, though, because that was what happened with the alternative care tender. It has taken a lot of healing within the sector, because it was a bigger event.

Mr Were—Speaking somewhat as an outsider, even though I work for the community care, I have only been there 18 months. When I arrived, it was the beginning of this process, and it was clear that the direction of the organisation—its heart and soul, I guess, beyond those sort of other sort of words we might use—was really in that area of alternate care, so, through my employment and employment of a few other staff, we have taken on a few other programs and taken on a few different directions. It is clear that, because of that process, the organisations had to have a major shift as to where their heart and soul was in terms of their mission. I think that is an important thing to keep in mind, that the government departments do not necessarily have to face them. They have a particular task and direction, they can develop particular expertise.

In other smaller non-government organisations, there is a heavier price to pay in terms of your overall direction and mission.

Mrs DE-ANNE KELLY—You mentioned positives and negatives. Some of the negatives were that some of the single-purpose agencies, the smaller ones, were finding a difficulty: black holes can form where there is basically no local service. You also mentioned the decline of services in rural and regional areas. Is that decline in rural regional areas related to competitive tendering, or are there other factors?

Mrs Fitzpatrick—There are other factors associated with that.

Mrs DE-ANNE KELLY—Perhaps we will leave that for the moment.

Mrs Fitzpatrick—The SACOSS representative would be able to talk to you about that this afternoon.

Mrs DE-ANNE KELLY—You mention a number of positives: you have been

able to diversify the range of service options; you have been able to focus the plan; you are able to raise your profile within the community; and the expediency aspect. On balance, do you believe that the negatives that you have listed outweigh the positives and, if that is so, is there a way of changing the competitive tendering to give a certain weighting? You mentioned your prayer support, which, as a practising Christian, I think is wonderful. It obviously has a significant effect on your staff and those you serve. Should there be a weighting for the number of volunteers you have, or should those qualitative factors be taken into account in tendering?

Mrs Fitzpatrick—I certainly do welcome the opportunities, and I think the good news does outweigh the bad news in the tendering process because of the opportunities which have come to us through that. Where the processes are transparent, I think it is a really helpful process, because I guess it is some sort of evaluation or measure of what you are offering. I talk about value added in the tenders that I provide and that is the qualitative things that we provide. We are very clear about our mission statement; we are very clear about our church support and about the church involvement in all of the tenders that we provide. So I think that is something that I am very keen to mention and I am sure that is actually taken into account in the tendering process.

Mrs DE-ANNE KELLY—Thank you.

CHAIR—I thank you both very much for attending. I hope that the future will enable you to write very much more positively, but we as a committee are very keen to ensure we do not mess up what are some very good principles operating right across Australia, particularly volunteerism as a tradition. We run a risk of undermining that if we are not careful, but at the same time there is a process to ensure that taxpayers' money is used well and positively, and that we measure good models. We know where the success stories are. For your information, tomorrow we are conducting an inquiry on indigenous health. We do not even know how many Aborigines there are in some states. We need a process, which means someone has to keep records. Thanks for your time.

Proceedings suspended from 10.44 a.m. to 11.00 a.m.

ANDREWS, Mr Grant Edward, General Manager (Chief Executive Officer), Meals on Wheels (SA) Inc., PO Box 406, Unley, South Australia 5061

CHAIR—Whilst the committee does not swear its witnesses, the proceedings today are legal proceedings of the parliament and warrant the same respect as the House of Representatives itself. Any deliberate misleading of the committee may be regarded as contempt of the parliament.

We have your submission and have read it; it is now part of the public volumes. I would like to give you an opportunity perhaps to give a brief overview and then we will proceed to questions from the committee.

Mr Andrews—Thank you, Mr Chairman, and thank you for the opportunity to be here this morning and certainly to present evidence to you in the initial instance. We feel very keenly about this whole subject; not only competitive tendering, but also, I guess a close second to it is fee for service and those things which could make health services from the health and welfare area somewhat cheaper, as far as the government is concerned and perhaps more effective as far as the overall community and the organisations responsible are concerned.

We do not object to a fee for service, for instance. We have done that for years, ever since our inception 44 years ago. Meals on Wheels is not a charity in the sense that we give things away; we do charge a fee and have done so ever since our inception. But we have volunteer labour, which makes us very cost effective.

I think the main point that came out of my submission to you is that, in view of the fact that we do have some 10,000 volunteers in this state, all acting, if you like, as mini providers of a health service, providing the motor vehicles as well as their time and effort, we are doing as much as we can by way of perhaps competitive tendering, albeit in a different way from what has been discussed this morning and is likely to be discussed later on today.

Let me also make the point that I do understand the concerns of my other colleagues outside of Meals on Wheels, particularly as this state has a reputation internationally for being extremely good at the job it does in all its health and welfare services, particularly towards the ageing and those living on their own, and we would not want to see that upset. I think, however, we can all appreciate that there are occasions when we can see something improve from where we are and that has been the philosophy and the way in which Meals on Wheels has developed in this state.

Could I just sum up by making the point that, in South Australia, we have a central office which coordinates the activities of our various branches around South Australia. We are the only state in Australia that does that. Queensland Meals on Wheels have a state office, but their branches are totally independent. They have their own administration and they have to deal with government themselves and with unions. They are subject to an award in that state, again I think because they do have that large reservoir of paid people.

New South Wales is the same, because the hospitals generally run the organisation there. You have already mentioned Victoria and the fact that it has always been a council type of operation in that state.

So, Meals on Wheels in South Australia is probably, if I can make the point, a true blue volunteer group. We simply have a small administrative staff to ensure that we can staff all our stand-alone kitchens with volunteer people, who themselves are unpaid. That is really what we are here to protect today.

CHAIR—I was impressed by your submission and fascinated by the fact that you establish all your own kitchens.

Mr Andrews—Yes, we do.

CHAIR—The Victorian experience is that the local hospital will supply the meal, although that is being subjected to some commercial tendering pressure, but you have established your own kitchens. Therefore, there is a huge capital investment.

Mr Andrews—There is a huge capital investment but paid for by the wages forgone of our volunteers. That is the way we are able to do it. In other states, most deliver the meal. Queensland, who we consider to be as close to our model as any other state, does have kitchens of its own, which it has built, some support through home and community care, which is a mixture of state and federal government funding, but essentially we have been able to establish our kitchens through the fact that we simply have that huge volunteer base, which unfortunately, at times, is not taken into account when we have to compete with funding from government authorities. That is not necessarily a shot at government authorities, but the value of our volunteer labour is not taken into account in budgets when we have to compete with fully financed government operations. That does put us at a disadvantage.

CHAIR—The volunteers act from the cooking process right through?

Mr Andrews—Absolutely right through, from the purchasing of the goods to the preparation, the cooking, the delivery.

CHAIR—What about the nutritional advice?

Mr Andrews—We get nutritional advice where we need it. We have had very close cooperation with the Flinders University and, also, the CSIRO in this state and we ensure that the meal that we produce is balanced from the menus and the weights and tables which each kitchen operates from.

CHAIR—That is probably enough about your organisation. I suppose we could get to the bone about this potentially competitive tendering. From what I understand, that process is not yet in place with Meals on Wheels. What is your position? Has there been some formal discussion with your organisation that it could happen, or are you just worried that it might?

Mr Andrews—Not really, Mr Chairman, for the simple reason that I think in this state the people and the authorities involved probably have their hands full in trying to work through where they are at the present time. You had a witness just before me indicating and defending their position to be independent relative to the job they do, which may appear to be also aped somewhere else, but there are factors that have to be taken into account. I think compassion, the ability to contact the individual, and to monitor the individual's health, as we do through our volunteers calling each day, are important. We are the only organisation in the state—and I am not decrying any other when I say this—which sees each of our 5,000 clients five days a week; in other words, no-one is left alone for longer than 24 hours during each working day. This is an advantage which I think one can only expect from volunteers inasmuch as they have the capacity to make themselves available as needed.

Mrs ELIZABETH GRACE—Going back to what I was asking the previous witnesses about and, that is, the process of providing outcomes, or providing information on statistics and things like that, from where you are at the moment, do you have to do any of this type of work or, because of your independence, you are free from that, or is that part of your—

Mr Andrews—We can be free and legally we can opt to be free. I guess if we were not receiving a relatively small amount—some 15 to 20 per cent of our funding from home and community care—we would not be answerable to any outside organisation, because we are, as you say, truly independent. We have our own constitution, we have our own board, and we operate as a self-contained unit, if you like.

However, we acknowledge the way in which health care, and particularly community service, has been arranged in this state and we are more than happy to cooperate with government instrumentalities such as HACC in an endeavour perhaps to share our expertise and at the same time cooperate more fully where it can be done. But that does not suggest in our minds that competitive tendering is necessarily a bad thing, so long as it is done in a way which is commensurate with what is already in place within that state or that community. I think this is a point that needs to be fully understood.

Could I just highlight a point that I made in my covering letter to the committee. We can produce a three-course meal in foil and everything else for \$3.40 delivered to the person's home. If we started competing against hospitals or something like that—and we could, there is no question about that—of course, we would lose our volunteer status. I do not think we would expect volunteers to become commercially oriented, give their time and then see us selling on.

We would also have union problems. We have an arrangement with the United Trades and Labor Council in South Australia whereby we do not impinge upon work that could be done by a paid person, or take jobs away from those in the industry. We would find that overnight we would lose our volunteer status as far as the UTLC is concerned. Once we went into competitive tendering, obviously that would be one of the criteria under which they would consider we were no longer simply a volunteer organisation.

Mrs ELIZABETH GRACE—Do you see a difference appearing in your organisation if competitive tendering became—

Mr Andrews—We would not be in the field of competitive tendering. We believe we are competitive at the present time, doing the job we are doing, and we do not see that anything would be gained by our trying to get into competitive tendering, which ultimately would have to lead to our paying volunteers, and then we are just undoing the work that this committee is trying to do. Instead of uniting under a competitive tendering basis, we would be going in the opposite direction.

Mr JENKINS—With regard to the total cost to the recipient of \$3.40, over and above that is the HACC funding?

Mr Andrews—No, we look upon HACC as being part of our total package; in other words, the amount of the \$3.40 also has the HACC component built into it.

Mr JENKINS—That is actually the cost of producing the meal?

Mr Andrews—Yes; in other words, we operate on a full cost recovery basis. We do recover, in effect, the HACC portion of the subsidy that we get by way of the meal price.

Mr JENKINS—With regard this huge capital investment that you have made, how is that financed?

Mr Andrews—Purely with the difference between the actual kitchen producing price and that which they then sell on to the recipient. We are non profit, obviously, and the only retention that we keep by way of expanding our service is roughly around 20c to 25c per meal, but doing 25,000 meals a week, obviously that does mount up. We are also fortunate enough to have tax concessions and we are not liable for income tax and there are other tax remissions which enable us to build kitchens reasonably cheaply, even though today they cost approximately \$350,000 fully equipped.

CHAIR—You are spending \$1 million of capital per year over the next seven years. Where does that capital come from?

Mr Andrews—That is what I say, it is the actual difference between the meal price produced at cost by volunteers donating their labour in the kitchen as distinct from the \$3.40 we sell on to our recipients.

CHAIR—It is not borrowings?

Mr Andrews—No, definitely not. We have never borrowed a cent in our 45 or 47 years. We have only built a kitchen when we have had the capacity to build it. We have never worked on an overdraft in that time. Again, that is due to the efforts of those magnificent people, our 10,000 volunteers. It can be done.

I was at a conference in Barcelona and I was at a conference in Japan last year. I think a lot of countries have not really understood how volunteerism can be marshalled in this way. It just has not occurred to them that there is that compassion among the community—and there certainly is, there is no question about that.

CHAIR—They need to understand the Aussie ethic a bit better.

Mr Andrews—I think that is probably true. We have a very enviable record overseas, there is no question about that.

CHAIR—We wish you well as the key note speaker at the conference.

Mr Andrews—Yes, that was Barcelona.

CHAIR—It would be nice for us to teach them how to do it well.

Mr Andrews—We did it in Japan 14 years ago. We were asked to go up there to start Meals on Wheels in that country, which we did. We were invited back again last year by the Japanese government. I think the reason was that they can see that keeping older people in their family home where the new generation—the current husband and wife—are trying to raise their family, look after mum and dad, and in some cases grandma and grandpa as well, is simply beyond the capacity of a western style economy and culture. The tradition of younger people looking after their elders, which is a tradition that dates back hundreds or thousands of years, no longer applies, because they simply cannot afford it.

While the Japanese government 14 years ago was a little reluctant to embrace the idea of volunteerism and a Meals on Wheels concept, now, as I say, it has invited us back at its cost to update its people on it. We have had enquiries from China and India. They are countries that must surely be able to develop a system like ours with enormous benefits, particularly to the outer hinterland areas of those countries, quite apart from the cities, obviously.

Mr JENKINS—That goes to one question I wanted to ask. You have full coverage of the state?

Mr Andrews—Yes, we do, and the state price is \$3.40 per meal. Even if we have to get meals into Marla Bore, or places like Coober Pedy or Andamooka, if we get 12 hours notice, we will have those meals there. They will not be fresh meals; they will be frozen meals, but frozen meals today cooked through our steamer oven. We have the highest technology in our kitchens, as I hope you will see this afternoon, and the point is that, in those kitchens, we can produce a frozen meal now which will reheat and will be very little different from the fresh meal that it preceded.

Mr JENKINS—That fully answered my question. You are saying to me that all the meals delivered are through your kitchens by one means or another?

Mr Andrews—Yes. Normally, we will get commuter flights from outgoing areas who will fly those meals for us for nothing as their contribution towards the organisation. I cannot underestimate the enormous support we do get through the community, and that obviously assists towards maintaining our meal price of \$3.40, which has not seen an increase for five years. We have not increased the price of our meals for five years. Where the average price around Australia is about \$4.40 at the present time, we are about a dollar a meal under the rest.

Mr JENKINS—What is the age profile of your volunteers?

Mr Andrews—71 years is the average age. The other day I had to suggest to a driver, who was 87, that perhaps they gave it away. It was not that they did not want to drive, but nobody would drive with them.

Mr JENKINS—Is that age increasing? Is there an age limitation?

Mr Andrews—No, fortunately not. We do not have a great deal of difficulty in recruiting volunteers. I know that is the exception to the rule. Every time we have a flat spot where we need perhaps 20 or 30 volunteers over a given area, invariably, once we make that known, we seem to get the support without a great deal of difficulty. Again, radio, television and the press will support us in this area. But, essentially, we do have the staff to manage the situation in almost any circumstance.

Mr JENKINS—Your submission describes your branch as autonomous, but have you endeavoured to minimise the management burden on those branches?

Mr Andrews—That is a very good question. It was what I was alluding to earlier, that the central office, for which I am directly responsible, obviously, apart from the oversight of volunteer branches, does coordinate ordering of supplies. We coordinate insurance, we coordinate finance and we coordinate negotiations with government over subsidies. It does not make me terribly popular at times, let me assure you. This is one reason why I think regionalisation, which is very much talked about, is something that needs to be taken into very serious consideration. We think we are a regional organisation: we cover the total state by way of regions, if you like. That being the case, we can negotiate and organise far better than perhaps an individual branch can do. As I mentioned a while ago, we do have the situation where, if a branch had to spend more time doing all the things that we do through our central office, the chances are they would need to pay somebody to do it, because the volunteer either would not have the expertise or the time available to them.

Mr JENKINS—The training of volunteers?

Mr Andrews—The training of volunteers is mainly hands-on. During the year we have about 12 conferences of various branch office bearers, where they are updated on anything and everything which we believe we can assist them in. But, essentially, the important job, as far as Meals on Wheels is concerned, is hands-on. That puts us in a different category from a lot of other welfare groups. We are hands-on and we do not

pretend to be anything else. We do not pretend to be anything more than a meal delivery service. We do not consider ourselves professional. We are not professional. We are representing 10,000 people who have a caring and sharing role in the community and, who, out of compassion, ultimately responded to our appeal for help in the first place. That, in my opinion, is the success of how you run a volunteer organisation. I do not set myself up to be an expert in this regard.

Mr JENKINS—Besides that role of delivering the meals, the submission importantly shows that that daily contact during week days is very important for a whole host of reasons.

Mr Andrews—Yes.

Mr JENKINS—One of the lines of thinking that has developed is to try to capitalise on that even more by suggesting that those people, as a point of contact, should then link into, say, other HACC services to match people up. I wonder how much of that goes on.

Mr Andrews—It does indirectly more so than directly. It is indirectly, because we will—and do—of course, keep in close contact with the royal district nurses in this state, domestic care, et cetera. Twenty per cent of our recipients are early discharges from hospitals, and we are saving hospitals something like \$400 a bed in this state for that week or fortnight for the cost of \$3.40 a meal, which we provide. That is a hidden benefit that is not understood, the fact that we keep people in their own homes. People have to be fed before they need other services. If they die of starvation, then other services are obviously not required.

The point is that, if we had to see our people go into institutionalised care in this state, 5,000 people would have to be accommodated and literally hundreds of millions of dollars to build that sort of capacity of buildings would be outside the scope, I would say, of this state at the present time, or perhaps \$100 million a year then to look after those people once they are in that care.

Mr JENKINS—Are all your meals delivered HACC subsidised?

Mr Andrews—No, we actually deliver the meals at our own internal cost. The HACC subsidy is a grant at the present time. It used to be what they called a meal subsidy, but we have, over the last six years, received an average of about \$1 million out of a turnover of \$6 million from HACC to fund our organisation. That compares with 5,000 units per day—5,000 recipients visited each day—as distinct from the other welfare groups, who might have fewer numbers than that. I think the majority would, but then perhaps, on average, visit two or three times a week, and sometimes obviously a lot less.

The important thing is they should not have to do it more than that. We become the monitoring base. Although not all of our recipient patients are common to all of us, many are, and that is where there is cooperation and a degree of working together can be very effective.

Mr JENKINS—That leads to some flexibility that you are able to deliver meals to people that, technically, may not be HACC clients?

Mr Andrews—Yes.

Mr JENKINS—For instance, early discharges.

Mr Andrews—Absolutely. We do not differentiate between anyone. If they meet our criteria, they are living on their own, they obviously cannot look after themselves and their health is at risk—and those, basically, are the criteria we use—it does not matter whether they are in the dress circle area of Adelaide, in the Port-Brompton area of the state, those people are looked after in exactly the same way. We do not distinguish between socioeconomic criteria whatsoever.

Mr JENKINS—Really, for them to force you to a competitive tendering situation or contract, it would be a very interesting sort of definition, because there would be an imposition about what you have developed as the philosophy of your business.

Mr Andrews—We think we are already there, quite frankly; we are as competitive as we can possibly be, we are already there. Each of our kitchens really is competing, to some extent, against another. That is reflected then in the average meal price we set. We look at the price of meals produced by each kitchen and then we apply a mean average across the numbers plus the value that it has cost and then we come out with the state average price. When a kitchen knows that they are perhaps a little bit above the state average price production, they will move heaven and earth to do what they can to come down below it. There is that competition between the branches as it is.

I can see no place for Meals on Wheels to be competitive tendering outside our own organisation, without attracting the ire of unions. We had the experience in this state, as you are probably well aware, with St Johns Ambulance where it was a volunteer service. It then introduced paid staff, particularly on difficult periods during the 24 hours, and became very much a unionised organisation and it then became totally independent of any volunteer aspect whatsoever. It went from an organisation costing around \$15 million to \$20 million a year to close now to \$100 million a year.

We would see exactly the same thing happening. For instance, at the present time, we would have 350 privately owned motor vehicles somewhere in the state delivering a meal with volunteers. It is their vehicle and we pay them \$5 per route delivery, which is an average of 24 meals, and they will cover an average of about 23 kilometres in the process of delivering those meals. You just cannot do that any cheaper. If you went to a totally government funded and government operated organisation—this is what I keep telling my good friend, Mr Fiebig, from home and community care—then your costs would go up probably by \$6 million or \$7 million a year. We are saving in labour alone about \$15 million a year at the present time.

CHAIR—You should take an opportunity to review the evidence we have collected. It is available on the public record and maybe we could have it sent to you. Last

week, in Tasmania, we actually heard evidence that, where the kitchen element or the cooking of the meal was tendered out, the price increased dramatically. You should also review the submission that was put to us by the South Australian department, where it actually states where competitive tendering situations would not be appropriate and the criterion for one of them is when fragmentation of provision would occur. I think if you have the whole state locked in like you have and well organised, my perception would be that the concerns being expressed are probably a bit ill-founded.

Mr Andrews—I think there is great competition today for the welfare dollar, there is no question about that. I feel at times that even organisations in this state do not talk as freely to each other, because they may feel that they are giving something away in the way in which they must go about accessing that welfare dollar. That is unfortunate, in my opinion. I think that if our organisations are strong and solid enough to stand up to the job they are doing and they are doing it well, then all of us should be prepared to be put under the microscope. If there are ways in which we can improve, then we ought to be big enough to accept it. Whether we are a church group and totally independent or whether it is Rotary—with which I have an association and I know reasonably well—none of us is perfect. If we can do a job better and get together, for example, churches get together as the Council of Churches and they discuss things there of a general nature, I see no reason why there is need for anyone to be totally independent.

Bear in mind that many of the church groups themselves, among others, were set up for a specific need at the time they came into operation and whether that specific need is still there and needs special attention, I think that is a factor that does need to be considered very carefully. It is not possible to introduce uniformity across the board and think it is going to work, any more than competitive tendering would endeavour to do. In Meals on Wheels, I know that, given the opportunities to work it through, we can make economies of scale and economies in various areas, which we are attempting to do now through the introduction of new technology. I think we will see our meal costs at least hold the cost of living index, if not even get below the present level of pricing.

Mrs DE-ANNE KELLY—Mr Andrews, congratulations. It is a most impressive record for Meals on Wheels in South Australia. You indicate in your submission that you already have a very good outcome because of the volunteer labour. Should organisations that have a high level of volunteer labour have a negative cost attributed to that labour? I am not suggesting for one minute that Meals on Wheels should be included in a competitive tendering process, but I am saying, with other organisations, should their level of volunteer effort be quantified in some way? I also have some other questions for you, if I may.

Mr Andrews—Very quickly, as I say, it is horses for courses. We have to accept that, in dom care and RDNS, which are fully funded in this state, and they take something like 80 or 85 per cent of the HACC funding that comes through, I do not know whether it could be done differently. It was perhaps a little unfortunate; dom care was actually part of Meals on Wheels originally. We actually started dom care and we had our own committees responsible for chiropody, hair care, garden maintenance, et cetera. It became a bit of a government gimmick of the day to suggest that there should be a state run dom

care and where we were charging something—we were charging, say, I think 3 shillings—and I am not too sure whether we were still in dollars and cents when it switched across, but 3 shillings to cut a lawn and perhaps 4 shillings for the volunteers coming in and doing their hair and things like this. We have always been a fee-for-service organisation, but the reason for the charge was simply to cover the costs of providing that service without cost to the individual for labour.

Mrs DE-ANNE KELLY—Do you believe there are therapeutic benefits to the volunteers?

Mr Andrews—Absolutely! I would say that the therapeutic benefit for volunteers is as much, if not more in some cases, than to our recipients. Bear in mind that, for many of our recipients, we are the only people they see in the day, and sometimes, unfortunately, for the week. It worries me that there has not been sufficient education, I do not believe, towards the ordinary general public as to their responsibilities in this area. It is all very well trying to say how much better we can become in competitive tendering or whatever else to improve our service. We are never going to be the ultimate unless the public understands their place in all these things, and it does concern me a little at times. I might be getting controversial here and that is probably not unusual for me, but I was concerned that, when we were talking about nursing home care, the issue of bonds got such short shrift in what I believe would have been a sensible debate. It required almost as big a debate that we have just seen on whether or not we should be a republic. The issue is that big.

CHAIR—They threw \$60 million at that.

Mr Andrews—I take your point, Mr Chairman. We could have done with the \$60 million. The important point is that we can no longer, as a state or nation, deal with this business of aged care on an ad hoc basis and going to HACC and putting a submission and dealing independently and not knowing what other people are doing. There has to be greater cooperation at that level and also the general public, so that there is that opportunity of taking part and sharing in community activity. They will do it. I am absolutely convinced that, if you put it the right way, they will do it. They are there to do the job.

CHAIR—Just to pursue that question a bit further, it would be good to get a handle on the value of that therapeutic benefit. We know it is about \$12 million a year in the contribution itself, but in addition to that.

Mr Andrews—I take your point and it is a very good one. If you talk about hidden benefits, that one would be a hidden benefit, because I would say that if some of our volunteers did not have that opportunity to do what they do, they would probably be recipients of Meals on Wheels themselves for some reason, if they just did not have that interest. I suppose we all know that, when people get older, they tend to go to church more often. Hopefully, it is out of a religious motivation, but it could well be just to meet and discuss with people, and certainly that is what Meals on Wheels does for our volunteers. They meet and talk with these people they deliver the meal to, but they are

getting as much therapeutic benefit back.

One could say that, out of 10,000 volunteers, we could be saving perhaps 1,000 of them from being Meals on Wheels recipients themselves.

Mrs DE-ANNE KELLY—Do you believe the model you have developed could apply to other care, perhaps for the aged or disabled, or is it unique just to supplying meals? Could it be extended?

Mr Andrews—It is a very good question. We have seen branches start up as hospital based only and we have some of those in remote country areas, obviously, where they are too small to start their own kitchen, we have some 60-odd hospital based meals, which helps some of the hospital kitchens to operate economically, because they produce the meals for Meals on Wheels, particularly the smaller ones. That, of course, then contributes towards their operation but, importantly, we are still providing the service that we need. However, once the volunteers get used to just distributing meals, it is very difficult to talk them into also producing them as well. That is not a slight against volunteers in any way, shape or form. It is simply that, if they volunteer in a branch that delivers the meal only from a hospital, then that is what they volunteered for. If, in four or five years time, you turn around and say, 'Look, we want you guys to produce the meal as well,' they will say, 'That is not what we volunteered for.'

There is a public relations exercise that goes on among volunteers as much as among the general public, that is, once you have already recruited them as volunteers, I am talking about now. It has to be maintained. You have to have compassion within your own central office to operate properly a volunteer organisation. You cannot look at black and white. It is not a matter of filling in a HACC form and showing this is how the Meals on Wheels operates. It is just not possible. This is why I say that, when we do not see the costing of that \$15 million a year in wages forgone taken into account when we have to stand up and be budgeted for and compete for moneys in organisations that are fully funded, it seems a little unfair. Fortunately, we do not need it anyway. We can get by on the \$1 million-odd that we get from Home and Community Care, and will continue do so.

If we can be independent, and there is a possibility we could be, and not have to receive any HACC funding then obviously we will operate by it. But there is an important thing here, Mr Chairman, which I believe needs to be stressed, and that is that we think it is essential that governments do show support for volunteer organisations on the basis that it is giving some government credibility to the fact that those volunteers are making that effort. If we can keep our meal price down by 20c or 30c a meal because of the subsidy and, at the same time, give the type of service we are, then surely we must be on the right track, and government, too, is reaping the benefits of that PR. We will quite publicly state that, if it were not for government, the meals would cost X amount more.

Mr JENKINS—Do you have any problems with accountability arrangements that are required of you for your HACC funding or the reporting requirements?

Mr Andrews—Not really. It is a paper war, as has already been suggested

previously to the committee, as far as bureaucracy is concerned. We had a questionnaire from Home and Community Care which looked into the types of educational services, training, et cetera, and it was sent to volunteers. It was supposed to be circularised amongst 4,000 of my volunteers: 'To which university did you go to get your tertiary training?' It had nothing whatever to do with a volunteer organisation. Certainly in domestic care, RDNS and other organisations that employ tertiary people, of course, there was some concern, but that was a paper war that we could have been involved in, which would have cost us a terrible lot of time and the response would have been meaningless, totally meaningless.

How can you get an ex-wharfie from Port Adelaide to fill out a form like that about his tertiary qualifications on training to do a job which is straightforward and that is to deliver a meal to a person once a week, or once a fortnight, as the case may be. That does annoy me. In the case of a volunteer organisation, it does require, in my opinion, a different set of standards and a different set of criteria than might apply to fully funded government organisations, which is a different kettle of fish altogether.

CHAIR—Thank you very much, Mr Andrews. We will catch up with you later this afternoon.

Mr Andrews—It will be our pleasure.

CHAIR—If you have time to review some of the evidence we are collecting, if you wish to contact us at any time, you can contact the secretariat.

Mr Andrews—I was the national secretary of Australian Meals on Wheels up until last year.

CHAIR—You have some expertise that I think we can lean on. Thank you very much.

[11.42 a.m.]

CAMPANA, Ms Wendy Ann, Director, Reform Strategy, Local Government Association of South Australia, 16 Hutt Street, Adelaide, South Australia 5000

VALLEJO, Ms Anna Rosa, Community Services Adviser, Local Government Association of South Australia, 16 Hutt Street, Adelaide, South Australia 5000

CHAIR—Thank you very much for your time and also your willingness to make a submission. Before we proceed, I wish to point out that, whilst this committee does not swear its witnesses, the proceedings today are legal proceedings of the parliament and warrant the same respect as the proceedings of the House of Representatives itself. Any deliberate misleading of the committee may be regarded as a contempt of the parliament.

Your submission, Ms Campana, is now part of the public record. You need not feel a compulsion to read it all, but I would like to give both of you an opportunity to make some salient or key points about your submission that you wish to make and then we will hand it over to questions from members.

Ms Campana—In terms of actually bringing the committee up to speed about what is happening in South Australia, when we wrote that submission, we said there were 72 councils in South Australia. There are now 69 councils. Since that time, we have also done a lot of work on the national competition policy and looking at competitive tendering within a local government perspective. Some of the points that I wanted to make were additional information to the submission. Is that okay to do that?

CHAIR—Yes.

Ms Campana—I suppose where we have got to with the competition policy, and it is particularly relevant to the issue of competitive tendering or contracting out in the human services area, is that we have started to ask councils to define what service provision means to them within a local government context. Many councils are indicating to us that there are great opportunities to look at competitive tendering in many of the service areas. The one that seems to be more problematic has been the community or human services area. I will deal with some of the reasons for that later.

What is happening is that we are asking councils to identify business activities, as required by the competition policy and, of course, most of the human services areas do not generally fall within a business activity as defined by the clause 7 statement that we are operating under, particularly from the point of view that that definition of a business activity actually requires the activity to be one for which you are primarily funding that activity from a user pay component rather than grants or rates. Most of the human services activities that local government is involved in either delivering or contracting to another party to deliver on their behalf, are actually those that substantially are funded either through the rates base, or through funds they have received from a commonwealth or state government agency.

So, in line with looking at the national competition policy and considering where those sorts of functions fit under that umbrella, there are very few community service functions that would even fit. I am yet to identify one in particular. We are fairly green with the competition policy in local government in South Australia, so we are still learning our way through it. Councils have gone through the first series of requirements, which is to identify their category 1 activities, and for our state they are defined as activities that receive an income of \$2 million and use resources of \$20 million or more, or the second category being what is considered to be a significant business activity, which is not defined in the clause 7 statement or the underpinning legislation, so councils need to define for themselves what is significant within their council operations.

Some of them are using significance from the point of view of proportion of budget expended on that function. Some are looking at it from the point of view of the number of resources that are used to operate that function. Some of them are looking at it from an infrastructure point of view. The human services or community services area is not one that is as identifiable under a competition policy context.

Sitting by the side of that, and this is where competitive tendering really fits in—councils are starting to consider how they could look at competitive tendering—contracting out has probably been an activity that local government has been involved in for a long time, particularly in the outside maintenance type area, but in terms of services provided through the in-house labour, there have been very few contracted out activities. I am conscious that we might be looking at a different definition.

CHAIR—Please contribute to that. Our terms of reference have not made the distinction. Most people have picked it up, but you are quite right, the real concern is with competitive tendering. Contracting out is acceptable, or, in certain circumstances, it is not, either, but people are uncomfortable with the process of establishing the contract. That is what the issues are about.

Ms Campana—From a competitive tendering point of view, most of the activity has been in the outside area—construction maintenance and those types of areas. There are many examples of councils looking at their activities through the in-house work force. I suppose I am defining it from out-house and in-house work forces because of the large industrial implications that sit behind taking on competitive tendering. Our unions are very conscious of the implications for their employees, if they are not seen to be competitive and therefore lose the positions they currently hold with councils. So we have actually been dealing with what have been the benefits from the outside work force, which is governed by the Local Government Employees Award and the Australian Workers Union is its union, and the in-house staff, which is subject to the Municipal Officers Award and the Australian Services Union is its group.

We have been preparing documentation to assist councils from the competitive tendering point of view, to look at what activities could be best delivered through a competitive tendering avenue and, for us, the contracting out question. If I could just get a definition that we are working under: when we talk about competitive tendering in local government in South Australia, we are generally talking about a tendering activity which

is allowing the staff to compete at the same time as a potential private sector, or even government sector provider for that particular service.

What we are trying to get councils to do is to define what services they believe are core services, those services that ought to be delivered from the organisation's own resources, and those services that could be enhanced by testing them in the open market, and would probably not detrimentally affect the role of the local government authority with its community. So at this point in time I suppose, from looking at these particular terms of reference, generally, competitive tendering has been taken on board by government agencies to look at a more efficient way of conducting their business with the pretence that perhaps the business sector might have more efficiency gains than does the government sector.

The competition policy has asked us to identify what advantages we have as a government organisation that the private sector does not have. We heard some examples before from Meals on Wheels when they spoke about the use of volunteers, the saving in wages, the issue around sales tax exemption and other tax exemptions—of course, local government has tax exemptions as well—and trying to level the playing field as much as possible with potential private competitors.

When I overlay traditional competitive tendering aims and objectives in the human services area, you actually do not have a level playing field at all. Generally, you do not have a market available, and I am talking about a market that is in it to make a profit. You do not normally have a market that would be prepared to match funds, like many of the HACC programs are in particular, asking councils or other non-government agencies to bid for funds, but also make a contribution themselves.

So, I must admit I am finding it difficult, as are many of the councils in South Australia, trying to get our heads around how a competitive tendering approach can work in its traditional sense in the human services or community services area. So, I am really keen to hear what your views are, if that is part of the information sharing, on things you might have found in the other states. The reason I am raising that is because you are not talking about a profit making organisation in the market that can probably deliver the service at the rate that a local government agency can, or a non-government agency can due to the large use of volunteers and due to the tax exemptions that are often available to some non-government agencies, and certainly apply in local government.

So, we are having difficulty in South Australia thinking through this issue in terms of how it can benefit the client at the other end. What real gains are in it? When you look at some of the other areas in government work, both in state, federal and local government, there is an available market out there that is in a profit making mode and may be able to compete more efficiently. You can put those to one side and you can touch and feel them and you can understand the issues about competitiveness, but in the human services market we do not see it in the same way.

Where we are sitting in South Australia is that we are feeling as though—we do not have a specific policy position on this at this stage—if we do find our human services

areas moving down that competitive tendering path, there is a real necessity to ensure that there is collaboration between state, Commonwealth and local governments and the non-government sector, although I am certainly not able to advocate how they may be able to be involved.

But, from our perspective, we think there is a serious policy question for all spheres of government to go down this path. We believe there needs to be a lot more work done in defining the sort of services that could be captured by a competitive tendering environment. We wonder how you can define some of the value added activities that occur in the human services field. Talking from local government's perspective, you could have a gardener outside doing some work in a local park area who sees a community member needing some support and that community member perhaps is not aware of the supports available through the council, or even through some of the non-government agencies operating in the council area and, through that person's contact with the community, activities and services can occur for those individuals.

The question is how you actually quantify the value added components that are very real in the human services area and hard to measure and harder to quantify than is the case in some of the other more traditional service areas.

CHAIR—Before Ms Vallejo adds to that, how would you compare the South Australian local government situation with Victoria? They have been thrashing around there for quite a while on those issues. Is South Australia comparable in terms of progress on these issues, or behind a year or so?

Ms Campana—No. When it was possible that our state government may look at compulsory competitive tendering being introduced into local government, we did a tremendous amount of research on how many local government authorities were already using private sector or other providers for services and doing it through a contracting out arrangement. We found that the percentages that the state government in Victoria wanted councils to achieve through a testing of CT were actually percentages that we had well achieved and, in many instances, advanced. In terms of the competitive tendering environment, we have been contracting out a lot, which is done through a contestability approach and seeing whether there have been efficiencies by contracting out.

CHAIR—That is more concrete, though. I would be interested in hearing comments on a comparison in the human services area particularly with Victoria. A cubic metre of concrete is a cubic metre of concrete and that is measurable and you can touch it. This human services area has been a struggle in Victoria. There have been some mistakes and it is very difficult to measure.

Ms Campana—I think that Victoria had the push and shove because of the compulsory competitive tendering legislation that we do not have here. They have probably tackled some of the human services area in that in order to achieve some of the percentages that were required in the legislation. We were already at those sort of percentages at the time they introduced CT over there. The other issue, too, is my understanding is that some of the Victorian councils have tackled the CT arrangements

through not necessarily level playing costing arrangements between what the market would actually have to pay in order to deliver that service against what is the case in the council, looking at the tax advantages and so on. That has been the entry point in South Australia in looking at these.

In some of the human services areas, there are a couple of councils going through full costing. When they consider the grant, the small contributions made from the community—we are targeting groups of people who can only just afford, or maybe not afford a service—the infrastructure they are using and the other things that come behind it with the grants, often we talk about a 50/50 contribution in grants, but the South Australian contribution, we are finding from councils here, is far more than the 50 per cent funding. We are actually putting a lot more into the service. If you fully cost it, it is quite frightening sometimes to see how much councils are contributing to a service when you go through the full process of costing.

So, going back to Victoria, the other issue, I think, that is very relevant in Victoria and other states is that the legislative framework for local government is different in every state and the relationship between their local governments and the state government as a result of those statutory obligations is so different that it would be very difficult for a Commonwealth policy to be developed that could unilaterally apply to each state, without looking at the state differences. Then, of course, the next tier is the number of councils which are autonomous and run their own communities and will run them differently, too. There is a great fear from our perspective that a broad based policy approach would automatically apply to individual councils in individual states.

CHAIR—There will probably be further questions on that. Would you like to make some broad comments briefly?

Ms Vallejo—I cannot add to that. In terms of time, I have not got anything to add to that.

Mr JENKINS—I wish to defend aspects of what is happening in Victoria. It is defending the indefensible, but I think, as it goes to the point about level playing field and competitive neutrality, the end cost that councils would put into their in-house bids are supposed to be up-front and supposed to be discoverable, which has led to some challenges to some of the tenders in the human services area, because the experience has been that predominantly in-house bids have got up. But it has been interesting to note the type of organisations that have competed, whether it be, say, the Royal District Nursing Service, or the local community health centre which actually ran the maternal and infant welfare service of a municipality.

Likewise, not so much in human services but in other areas, municipalities are competing for business in other municipalities. A couple of examples—I stress they are not in the human services area—are of building inspections being won by one municipality and then the more famous and aggressive Manakua situation, a New Zealand experience where they had tendered for things as various as local library services to the gardening services and in one of the municipalities in my area they have won the tender.

The question I have is the competitive tendering process in Victoria for local government has involved the local government itself setting the standards, so the first part of the process has been a fairly cost intensive process; and I think, there have been awful circumstances where it has been the people whose jobs have been under threat who have had to sit down and define what their job is and set standards as to that job. It is then put out to tender and they come back into the system by, in most cases, putting in an in-house bid.

I do not query the aspect of definition of roles and I think they would be important in human services. It is just that, when it has come time for the processing of the tender, bids have been won not only on the cost sensitivity but by the tenderers actually offering to do things over and above the tender specification. For instance, if that is in maternal and infant welfare—I get tricked about what they are calling it today because it usually changes tomorrow—one of the bids was won by not only a price sensitivity but also the bid actually offering to do home visits.

The query that I put is that we could have achieved that outcome without having to go through the competitive tendering process. I am just a bit frustrated that we do not do those things in the absence of going through what is a very costly exercise in competing bids.

Ms Campana—I think the Victorian experience was a quick experience, too. The amalgamations process as well as the compulsory competitive tendering process would have put a lot of strain on the local government authorities. They have come out at the other end looking really smart, from what I can gather. Compulsory competitive tendering is not supported at all by the councils we represent in South Australia. State parliament *Hansard* indicates that we are going to review a new local government Act and our minister indicated that the compulsory competitive tendering path was not the path that the state was going to take at that time. That was probably around June last year. We are still waiting to have final legislation to debate. I am not sure where we are going in this state with that question.

The issue around teams bidding for the work with potential other providers and being involved in setting the standards and so on is not the approach that we would be taking in South Australia, because we are so much further down the track, and have had a bit more experience from looking at the Victorian approach. We have had the competition policy introduced, and some people question—I do not have a view about this—whether it is appropriate in a neutrality sense to have the staff that were previously delivering the service assessing that service and setting the standards and whether that gives them some advantage. We have not explored that. That has been raised by some of the councils in terms of how we get this neutrality question right.

I still believe that competitive tendering, in its traditional sense, was really introduced to target services other than those that tend to be partially funded by Commonwealth or state agencies with, in our instance, local government funds coming in as well. It seems to me that we are getting mixed up with the competitive tendering approach when you just want to take that and apply that to the human services area

without taking a step back and asking, 'Should there be some negative gearing here in terms of how we will apply that issue in a human services area?' It is just so different with all those donations, volunteering and so on that occur.

I feel uncomfortable about taking traditional principles of competitive tendering and just applying them in such a different field. I think a lot more work needs to be done on that.

Mr JENKINS—The problem with the push and shove method in Victoria has been that, in a way, it is a negative tendering process, because the bid that can reduce the add-on cost to local government is what they are looking for, so there is always that subsidy over and above, but that is only taken into consideration with the dollar amount. Councils tend to lose direct control over what is happening. Your example about the gardener noticing something while out doing the garden does not happen now, because there is no actual corporate responsibility outside of the organisation that has been successful in the tender.

Again, I suppose, if we are being sold the idea that this sort of competitive tendering is leading to more efficiencies, however defined, there are a lot of those things that, as you quite rightly said, are intangibles that are very hard to keep tabs on and it is hard to know how much we are actually losing out.

Mrs DE-ANNE KELLY—In your submission, you mention the concerns about rural communities and tendering out there. What specific examples can you give us of services there?

Ms Vallejo—That was relating, I guess, more to how some local rural communities respond to meeting the needs of their elderly residents and that it is often the community that rallies around and supports. Whether it be in meals delivery or just looking in on a particular resident, knowing the community dynamics and the people individually is more or less the community being responsible for its own. Having an external or perhaps a city based agency coming in and providing services somehow takes away the sense of community and the local responsibilities.

But, also, there are the implications for local employment. If there is a HACC program, for instance, it is usually the local people who are employed to provide those sorts of services, so there are implications there for local employment, as well as local volunteers wanting and needing to be part of that community and feel a sense of place.

Mrs DE-ANNE KELLY—You have given us a very comprehensive submission, very theoretical. I was looking for examples. You mentioned aged care and meals. As I understand it, meals are delivered by Meals on Wheels. What specific services do the councils in those rural areas deliver?

Ms Vallejo—In the Yorke Peninsula, there is one HACC funded coordinator and, for the whole peninsula, services are provided by volunteers, so that some of the transport issues, the friendly visiting and domestic cleaning and so forth are contracted out, but a lot

of that aged care support is volunteer based. I think that providing that extent of services on a minimal financial outlay, with just the council infrastructure support, is great use of limited resources and having the community respond to its local needs.

I think over there at the moment they are looking at how they might be able to utilise local businesses in providing a transport service, because one of the issues in that particular region is support for the elderly in going to doctors appointments, shopping, and so forth. That is a big need in their particular community.

In terms of other support, it is done informally through those volunteer networks, so it does not even come into a paid service provision, because it is local people providing support for their elderly.

Ms Campana—Two other areas I thought of as examples could be home maintenance activities and respite care as well.

Mrs ELIZABETH GRACE—In your submission, you say that there needs to be further research into the effects of the community's losing control and autonomy over these local delivery services, so, obviously, there is no data on this. What is your anecdotal summation of what would be found if more was done in this area? What do you think would be some of the outcomes of something like that?

Ms Campana—The way the submission was written is in the context of if we were to move down a competitive tendering path. Certainly, at this point, there is good collaboration with a lot of the non-government agencies. There is collaboration amongst staff teams and so on. The whole question of competitive tendering in its infancy, while we are still getting to understand the implications, is causing concern amongst many of the rural committees in particular about employment generation being dropped, and Anna mentioned that, and other organisations that are outside of their community web coming in and delivering a service and not being familiar with the needs of the community.

So I think that they are some of the scares, or some of the anecdotal evidence of people considering what they could do through a CT environment and what the implications might be. The rural community is particularly uncomfortable with the implications. In the metropolitan area, the human services area is a really difficult one, because people are starting to say, 'We need to look at the human services area,' but the trouble that they are facing is: how do we monitor that the service is being provided at the level that we think it ought to be? How can we be sure that the people who are employed by another agency to provide that service are appropriately skilled? They are very comfortable with receiving funds and then talking to a non-government agency and developing a collaborative activity so that the non-government agency delivers the service in some instances in some areas where councils do not believe they have the expertise and in other areas councils deliver it themselves.

I think there is a real scare in terms of quality of the service, meeting the needs of the community, being sensitive to community needs, performing within contractual guidelines and not moving out of that when they need to respond to an issue that they are

faced with.

The question of liability is another one that we are trying to get our heads around in this particular area. When you are working in someone's home very often, you might be going there for a home maintenance activity, but you might be doing that in a mental health patient's home and something could happen and, whilst we are contracting the home maintenance person and something does happen that interferes with their job, where does that leave us from a liability point of view around the contract that we have entered into with that provider?

Mrs ELIZABETH GRACE—Do you think some of it is a fear of the unknown?

Ms Campana—I think so, a fear of the unknown and probably inadequate information at the moment about the breadth of the service actually being provided. People can often handle costs, but actually to define the breadth—and some good work is going on in that area—and defining the types of clients, their needs and their changing needs, and then being able to overlay that with the demographic profile of the area and also having an understanding of what agencies are available and what their goals and objectives are and what ability they have to provide the service, there seems to be a bigger picture required. I think what happened is that the CT agenda is certainly being picked up by councils.

Mrs ELIZABETH GRACE—One other thing that came up this morning more with the non-government organisations rather than your sort of area was the different performance standards in the different contracts. If you are tendering for HACC programs and things like that, are you finding the same thing, that the demands for outcomes or results are different for each contract that you sign, that they are not uniform, or do not have a uniformity about them?

Ms Campana—Yes, I think there is some difficulty regarding the uniformity question. I think the other area, too, is that councils are taking on board performance measurement and benchmarking activities and doing total quality management programs and so on, so they are setting up mechanisms for monitoring their performance and gathering statistical information. What is required of the Commonwealth agency, or state agencies very often, is something a bit different. We are tending to have some debates with the state at the moment, saying, 'What are your objectives? What do you need to be sure you have achieved?' Then let us look at what performance measures need to be in place for that purpose, and then as an organisation monitoring my performance in delivering that service, there is a set of things that I need to know about, but they are not necessarily the same things.

We had a debate about the federal assistance grants legislation where the federal minister is required to report on the performance of local government and our ministers have taken that on nationally to look at what we mean by performance. The argument that local government has put forward is that, when you are talking in that context and it is relevant to a grant thing, it is what are your needs, and they are not necessarily the same as the needs of the organisation that is managing that function. So there is not

commonality; there is a lot of data collection. Local government, with probably more resources available to it than the non-government sector, struggles with it, so I am sure there would be issues that the non-government sector would raise.

Mrs ELIZABETH GRACE—They were talking about the cost in terms of monetary costs and human resources and time and things like that.

Ms Campana—You wonder what happens to the data. I am happy to collect it if it contributes to something. You do not actually get the loop coming back.

Ms Vallejo—You asked for some anecdotal information. In relation to the rural sector particularly, I have had people say to me that some of their elderly residents are very resistant even to accepting a service from anyone. Support is often provided to that particular person, because they know them, and they will call in on them and have a coffee and do all of that neighbourly sort of thing, whilst at the same time setting them up with some services, whether it be transport, cleaning, or whatever it happens to be, because they know them, but they are still extremely resistant; they are very independent and fiercely hang on to that. There is some danger that, if there were an external body where there were not local people utilised to provide those services, that person would not be accepting or even wanting to take on a service. Would that accelerate their likelihood of having to go into some sort of a nursing home or supported accommodation, because they were not happy or comfortable with someone coming into their home whom they did not know?

There are those sorts of things that are also implications for the rural sector particularly. Some of the ageing population are fiercely independent. It is just an additional factor, I think, that needs to be looked at a little differently in the country.

CHAIR—Before we close, I wonder if you could comment about a point in your submission, which I was interested in, that is, establishing some pilot projects to try to get a better handle on some of these measurements. I am sure there is a way that you could document a process by which the focus is the quality of the outcome, not outputs, not that you shall see 10 people in one day. What we want to see is that you will have 10 quality outcomes with whatever it is. Your submission was prepared in August. Has there been any roll-on of that idea? It is something the committee might push a bit, some pilot programs to test some of these measures?

Ms Vallejo—We are going through a process, in the HACC area, Home and Community Care, of developing a manual that outlines the standards and then examples of practice that sit behind that so that any given agency can then test their own practices and procedures against those examples of practice from other agencies, whether they be small, medium or large agencies. We are currently finalising that for local government and the HACC industry network also wants to use the basis of that to provide that to the field throughout the state.

So, initiatives are currently being undertaken. I think one of the strengths that we focus on is looking at a regional approach or a collaborative approach to working with

agencies in any given region. I think the northern areas council is an example which indicates that the impetus is to ensure that there is equity and quality of services across the region rather than it just being in pockets. I think that, rather than their looking at a competitive environment, they are looking at how can they collaborate to ensure that there is equity and quality of services across a given region.

So they are working collectively to identify the gaps in services, who provides what, where are the strengths, and how might some of these gaps be met collectively. It is just another way of working. It is something that was mentioned earlier, that, to some extent, competitive tendering was the impetus to reassess how they work. The example given was that part of the tender was to provide a home visit. To avoid going down that costly path of getting those sort of outcomes, maybe part of the answer is to look at how might organisations and councils or service providers work collaboratively on a regional basis or whatever to see how some of those outcomes might be provided to get the quality outcomes and consumer focus.

CHAIR—How long before that handle you mentioned is ready for publication? That is by the association itself, is it?

Ms Vallejo—Yes.

CHAIR—On behalf of local government councils.

Ms Vallejo—Yes, with HACC funding. I would say probably seven weeks.

CHAIR—I think it would be worthwhile, if you would like to spare the time, to forward that on to the committee. If good work is being done, we do not want to sit back and watch each state reinventing the wheel. We will end up with different rail gauges all over again.

Ms Campana—Anna's role is a funded position from HACC and the Local Government Association contributes some funds also. It is about coordinating the HACC program in the state, particularly with local government, and looking at training development opportunities and so on for HACC providers. One of the projects that Anna has done work on is performance measurement and benchmarking for a HACC service and to help a council at the management end, not the funding end—we see that as quite different—understand how they can measure their performance against the HACC standards. I do not know if that is a useful document.

CHAIR—Any information we can get our hands on is useful at this stage. We have been conducting the inquiry now for about six months. We have heard about the whole gamut, from people concerned about something which might happen right through to some bad examples of something that went wrong. So, we have not formed any conclusions yet. We are looking for good models that work and can achieve some of the aspirations that drive the process. We would probably have ongoing contact with you and we need to wrap it up there. Thank you very much for your time and your effort.

[12.20 p.m.]

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CHAIR—Welcome to our inquiry. Before we proceed, I wish to point out that, whilst this committee does not swear its witnesses, the proceedings today are legal proceedings of the parliament and warrant the same respect as the House of Representatives itself. Any deliberate misleading of the committee may be regarded as contempt of the parliament.

We have submissions from all your organisations before us, which are already part of the published record of the activities of the committee. You need not feel a compulsion to read through everything. Before we proceed to questions from my colleagues, I would like to give each one of you the opportunity to make a few salient comments about the activities of your organisation and, in a nutshell, summarise your contribution and take it in whatever order you discussed it.

Mr Menses—We are a bit like the high school debating team: we have come with a plan. We want to summarise under three key headings what we have said in our submissions and add to it in the experience that we have had subsequent to putting them in. First, we are very concerned about competitive tendering from a philosophical and theoretical point of view, and I am going to expand on that briefly, although Wendy stole some of my thunder, which is good.

Secondly, our practical experience of competitive tendering has been bitter, which has completely undermined our confidence in the way the process is currently administered, and Stephen Richards is going to expand on that.

Thirdly, strategically, we really question the benefit of it. Our experience has been rather than its increasing transparency, it has become a more obscure process. Rather than saving costs, it has added costs. Libby will talk a little more about the strategic concerns we have in the process. Philosophically, practically and strategically we do not believe it is the way to go. Philosophically, Wendy spoke about the fact that there is really no market in a traditional commercial sense. I think that is an important perspective, but I will not expand on that, because she really covered that ground. We are a cooperative and collaborative sector.

Earlier, you were asking cannot the churches cooperate and come together in this grand utopia? I look forward to Labor and Liberal doing the same. We have cooperated and we have worked in a very collaborative sense for quite some time in this state. Our experience of competitive tendering has put a strain on that, because all of a sudden our services are insecure, our relationships are insecure, and we are finding ourselves having to compete outside our areas.

Whereas Port Adelaide Central Mission, for example, is well established in the labour market and our organisation is not very well established in the labour market, we cooperate very closely. Now, with the uncertainty of processes and programs, we are very much tempted to say that we want to put our hand up for labour market programs and tensions may arise. Material shared before is no longer shared. That has been a bitter experience.

Earlier this morning, Colleen referred to a healing process in the sector. The alternate care tender we experienced was a very painful process for us. It put great strains on relationships between Adelaide Central Mission and ourselves, but the gospel imperative is such that we go beyond those things, because we have a client and consumer focus and we put that aside. We were not inspired by the comments we heard this morning where we were assured that the fact of the voluntary nature of our sector was understood.

CHAIR—From the department?

Mr Menses—Yes, and that tendering would not be applied there. That is where we clearly are not commercial and we have a very strong volunteer effort. Yet the alternate care program is one where there is an enormous volunteer effort. We have foster parents, who are essentially volunteers and who are core to the whole process. We have some foster parents who are clearly Lutheran and they like to volunteer to the Lutheran Church; there are some that are Anglican and some that are Catholic; there are some that are absolutely agnostic or atheist and wish to go to a completely separate organisation. That is fair and right. That opportunity was denied the volunteers through the state government tendering process. It was really only through a lot of hard work that we have been able to maintain a strong volunteer support.

Many of our volunteers are saying to us, 'We are happy to support Anglicare, we are happy to support Port Adelaide Central Mission, et cetera, but we are not happy to chip in for when government cuts you back; we are not happy to chip in for a competitive

tendering process.’ We are here for very different purposes.

All our organisations are here from a very strong and religious base. I think that is something that is not understood in the competitive tendering approach. We are seeking to value add to all our services. We believe there is a Christian difference in our services, and also sometimes we might struggle to say what that actually is in concrete terms. One thing is that there is a stronger passion; we believe in what we are doing, particularly when it comes to family services, working for families, working for a better life for individuals. We are very passionate about that. We are doing something because we have a deep sense of mission about it. When that very personal aspect of our lives becomes part of the competitive tender, I think there is a higher level of emotion and pain. That is something this state experienced in the alternate care process. There is, if you like, some collateral damage that I think is not necessarily understood when you start to apply a commercial process to what is very much a socially driven idealistic value based process. Philosophically, we think that it is really not the way forward.

One point that I would like to emphasise from Wendy Campana’s statement is the fact that we are not a market; we are not producing widgets; we are not a manufacturing organisation. The emphasis on quality outcomes is very important, but we recognise how difficult it is to define that. What is the quality outcome in an alternate care process? Is it that the person stays out of placement for five years or 10 years? Is the ultimate outcome that that person is able to productively participate in a functional family context later in life so as their children are able to be independent, or is it the pattern that we see, those that have come through the system, often their children come through the system. There are some very long-term quality indicators that we really have not yet got right.

We do not have clear quality outcomes. We are not a sector that can have a strong, clear price focus because of the lack of data that we have. That is something that we need to absolutely attend to.

The question posed today was do we have a fixed price approach to tendering? Our experience is more bitter than that. There might be a fixed price, but there is certainly not a fixed outcome. As we, the successful tenders in the alternate care contract are now finding, the ground is shifting; more is being put upon; areas are changing; and it is very difficult to tender for the dark, which is what we are doing. In fact, the price fixing comes through very large and unrealistic expectations that are now coming in nationwide after the process. That is leading on to bitter and practical experience that undermines our confidence.

CHAIR—You need to explain how that tender works. Someone says, ‘Here is a \$1 million program we want’ and it has 100 pages of scheduled items; how does it work, or do you have to make up the items yourself up to the bottom line?

Mr Menses—We are in the process of negotiating what the items are. What we had, and what we have had in many tenders that we have gone for—and I think this goes to practical things—are rather vague statements as to what the outcomes will be, what the desires are. There seems an inability among those we then ask, ‘Can you be more

specific?’ to be more specific. In a purely commercial sense, Mr Chairman, we would not tender for those things. Purely, commercially, we would never have tendered for the alternate care process, because we really did not know what numbers we were talking about, we really did not know, apart from the geographic area, the complexity and nature of the services that we were talking about. We had a sense of it, because we were active in the area, but we did not have a refined and clear definition. We won this tender in September of last year, but we have yet to sign the contracts, because we have yet really to come down with some clear and defined tenders.

Again, in a commercial environment, no services would currently be delivered, but we are delivering the services, we are carrying the cost, because our focus is the consumers. We are confident of a good outcome at the end of the day, and we are achieving that outcome without disadvantaging consumers. But if a purely commercial and competitive approach continues to be pushed, our ability to be so flexible will come under severe strain.

Mr Richards—More to the practical problems, first, there is a need for policy decisions to be made to identify which community issues are going to be the focus of attention and how much money is going to be applied to those. That is a very difficult process. Having decided on what community issues and how much, there is a need to ensure that the best result is achieved in terms of selecting and funding the particular course of action. So far, our experience with competitive tendering is that it is a disaster. It is being used predominantly as a blunt and blatant cost-cutting exercise which is based on a deficit medical model that is generally not appropriate to community services and is, I think, gutting the ability of communities to respond to initiatives or problems in their own areas.

In relation to the first area, which I think is an issue that precedes the issue of competitive tendering, that is, around policy determination, I think perhaps an inquiry that actually had a look at the ability of governments and their administrations to accurately define what the policies are, the policy objectives, and the policy outcomes may have been the more appropriate sequence of events. In our experience, it is almost nil at this stage.

CHAIR—Can you talk about the specific examples that are in your submission?

Mr Richards—In terms of the policies and making sure that you know what you are dealing with, I think Gerard has mentioned the alternative care tender.

CHAIR—Foster care.

Mr Richards—What we are finding is that the tenders that we have been given are very vague, they are more of an approach that says: we want to deliver a service in this particular area, and this is the nature of that service. There is no linking of the program or the services into specific policy objectives generally that are trying to be achieved. You are, therefore, trying to tender for a program or a service when you really do not know all the details, all the facts, or what it is that the policy makers are actually trying to achieve from the service. You then have a problem when you come to evaluating

what the service is actually achieving against that policy.

CHAIR—But from reading your submission, your criticism of the process is that you did not get the job.

Mr Richards—That was only in relation to the alternative care process tender. We still had to go through an enormously lengthy process to try and define what the tender was going to be, to do a lot of research to come up with an approach, and then go into a procedural process that in fact was not transparent and, in fact, at the end of it, even though we were a recommended tenderer, had yet another unstated process that, had we known about it, we do not even know whether we would have gone through the tender process, because it became more of a political exercise, and then a tendering exercise.

There may have been very genuine elements as to why that minister made his particular decisions. Our beef in relation to that one is that the minister did not specify what all his criteria were in relation to the tender process. In relation to alternative care, there are actually three difficulties. First, you did not know all the facts you were dealing with; secondly, you really did not know what the outcomes were that you were being asked to provide; and, thirdly, the processes were not clearly identified at the beginning.

Mr Menses—I think, as the winning tenderer, I can add strength to what Stephen said, so that there is no sense of sour grapes.

Mrs ELSON—Is this a state or federal—

Mr Menses—State. In response to our questions, we continually asked the department: what is it that you are looking for; could you please define? The answer that I personally consistently was given was, ‘Something new.’ That is a very vague answer when you are asking, ‘What is it you are looking for?’ We say, ‘This is what we are doing now. What are you now looking for?’ ‘Something new.’ We had the sense that there was this desire for a new toy. We argued very strongly that that was an inappropriate desire in the current climate, but the fact that we could not get a more clarified statement that was talking about something like strong integration—

CHAIR—When you both responded, you would have been given a tender document, which I imagine had some specifications as to the expected outcomes and so forth.

Mr Richards—No.

CHAIR—What did it consist of?

Mr Menses—It was a very full document and quite large. It looked like it had a lot of material in it, but, when you read it very closely, there were not clearly defined outcomes. There was a sense of saying that these are the types of services we know we are talking about, family placement and preservation, because we had experience of these and we had just done an evaluation of those services. The evaluation showed that our

family preservation program was 96 per cent effective. It was surprising then to be told, after running a pilot program of 18 months that shows is 96 per cent effective, 'We now want something new and different.'

What the tender specification was trying to do was, in a sense, promote the fact that we have to come up with a different approach. We have a number of small scale deliverers providing the service; what we need to do is bring them together, but it is up to you to go away and work out how to do that and we cannot clearly articulate the changes that we really want to achieve other than something new and individual.

CHAIR—Mr Richards, your submission contains a very serious allegation. You asserted that the minister interfered. He may have, in a process of trying to make a decision, asked for more information. I suppose that, having you both together here is important, because you can say to me it is a disaster, given that the project was awarded to your organisation. You say it is a disaster, because of all the time that you wasted. All that says to me is the quality of the document was wrong. It did not give you enough information quickly to assess what was required, to allocate tasks, and then justify to the provider that you had the qualifications to achieve certain outcomes. To me, it is the quality of the document you were given.

Mr Menses—I think this is the practical issue. Certainly, I think our practical experience would leave us with no confidence in competitive tendering, but it leads to a deeper question. Is it in fact that human services are difficult to define; they are complicated to deliver; and they require a great deal of collaboration and cooperation between a variety of service providers? Is it in fact practical to define very good documentation and very good processes to run a pure commercial tendering plan? I suppose our experience is questioning that. We are questioning it practically and we are questioning it philosophically and we are questioning it strategically.

Mr Richards—In relation to the other issue, Mr Chairman, our belief is that the minister, in fact, reserved the right of the minister to be able to make a decision that was contrary to the recommending panel that went through all the tenders, went through all the interviews, and went back and asked clarifying questions. Under freedom of information, we obtained the documentation that clearly said that we were, in fact, one of the winning tenderers, together with Anglicare, but that the minister then had a decision making process, to which we were not privy in terms of what he was determining and, in fact, made a decision contrary to what the process had recommended.

Our understanding is that the minister had that right, but it does not do much for your confidence in terms of the transparency of the process. We are not suggesting that the minister did anything untoward. What we are saying is that the way the minister should have interacted with the system is to have made all the minister's criteria publicly available and, in fact, available to the department right at the very beginning of the process and not have added extra criteria at the end of the process, which were not transparent and, in fact, are still not known to this day with any degree of certainty.

CHAIR—What we are trying to establish is that some of these programs are

Commonwealth funded and, if we are going to go down this track, we need to have some confidence that the people out there at the coalface have some faith in the integrity of the process.

Mrs DE-ANNE KELLY—Was this a Commonwealth funded program?

Mr Menses—No, this was a state funded program. Despite our bitter experience, I think that currently most of us would have more faith in the state funded process than in the Commonwealth funded process. At least in this process, despite its flaws, there were rigorous interviews, there was contact and review. All of us can cite programs we have tendered for where we have had no interview, no contact, and no perceived objective research from the federal department. Our organisation put in for a tender under the Attorney-General's funding in a very large Elizabeth municipality. We were unsuccessful for that tender. On seeking follow-up, we were told that we had no community base in Elizabeth and yet we are the largest single community service provider there.

The organisation that got the funding has no basis there, but they have a national name. That led Anglicare to work together collaboratively nationally to change our name. There was a bureaucrat in Canberra who really made the decision without doing their homework. With regard to the latest round of flex tenders, the labour market programs, the information we have is that no person has been interviewed; it has been done purely on a piece of paper that has been handed in. No reference checks have been completed. We have no faith in the outcome of that process whatsoever. We have much less faith in the Commonwealth approach to competitive tendering than we do in the state's approach.

Mrs DE-ANNE KELLY—There is a conundrum in what you have just said. You were very disappointed that there was personal contact and an interview given. I am not in a position to judge that at this point in time. Now you are disappointed in another tender where approaches have not been made to the individual tenderers.

Mr Menses—I have expressed no disappointment in the personal contact. I think Stephen is saying that there was a lack of clarity in the final stages of that personal contact. The contact was, in fact, important, but some people feel that there was a lack of clarity at the end. That is not my view. We were successful, but I can see it from Stephen's perspective and I think there is a perception of lack of clarity.

Mr Talbot—It is also an issue at this stage of the process in which the checking and the attempt to fill in the quality of the information and the content of the information occurs. If it happens with only a selected group of people or one tenderer at the end, then it is probably more open to question than if it is done equally and as part of the ongoing process for the tender and contract.

CHAIR—I have been reminded that we interrupted your opening statements. If you would proceed with that course of action. I beg your pardon. Do you all intend to make similar statements?

Mr Richards—Just the three of us. In summary, on that first part, I believe that, in

terms of developing policy, there is in fact a paucity of information available on the community. This country knows more about the state of its sheep and the sheep industry than it does about its citizenry and the area of delivering community services. That area needs to be addressed, from which we believe will flow better policy formulation and better programs.

In relation to the practical aspects of contract administration, I will just go through a series of headings or dot points. One has already been mentioned. There is a lack of clear specification on desired outcomes. There is a lack of transparency in evaluation and selection criteria and there is a lack of transparency in process at times. There is an approach to the community services sector that is open-ended. Often, we are still being funded on a programmatic approach that says, 'Here is the tender, it is so much money, but we expect you to deliver an open-ended amount of service,' so there is neither a cost per unit nor a specified quantity. The difficulty with that is that there is no incentive to develop efficiencies, because at the same time we are also being told that, by the way, often you cannot allocate your overheads. So, therefore, if we actually spend our own money in terms of developing overheads to get efficiencies, we then cannot get that back out of the program. In one program that we have, we have demonstrated over 200 per cent efficiency. We could not even use part of that savings to develop the training programs necessary to pass that information on to others, because they said, 'I am sorry, it is outside the guidelines.' It is absolutely ludicrous.

There are strict timetables for tenderers but not so for the government at times. We have to get our stuff in by a set date. Often, when you try to hear back, there are enormous delays. Often, the delays run into months and then you are told, 'You are the successful tenderer, but, by the way, we have to get it up by next week, because we need the money spent in this budget round,' which indicates that there are a whole lot of inefficiencies. The cost of tendering is a cost you have to wear on top of the tender, so even if you get the tender, you cannot claim back your costs. We are a large organisation, we have a number of independent income generation processes, but, for us, that is expensive. For a smaller agency that is absolutely stretched to the hilt at the moment, I do not know how they are coping.

There is the era of short-termism and the pilot. It seems to me that often we get the announcement, 'We are going to have \$3 million in this particular program.' That \$3 million turns out to be a cut \$3 million somewhere else and we are now going to have a series of pilots, so you tender to see if you can win a pilot. At the conclusion of that pilot, there is no formal mechanism to determine which were the ones that were producing terrific results, nor is there any guarantee of continuing. The expertise that you develop in the field ends up going down the tubes and there is no method of transferring the knowledge.

There is an increasing amount of specifying how the money is to be spent. Not only do you apply for the tender to say that we want this sort of program, but now we are finding that it is back to some of the bad old days where we are being told, 'You have to employ X number of staff at this level.' It is not that we have the flexibility to be able to try different methodologies; we are being constrained in the methodologies by saying,

‘This is what you must do.’

We are finding that we are expecting non profit organisations to contribute to the programs. I was contacted by one project officer to say, ‘One of the criteria not stated but we will be evaluating is how much will you be contributing to this? We have, in fact, a process of saying that ‘the government wants more bangs for its bucks’—that was the quote used—‘and, therefore, we believe that you should be contributing to our programs.’

We are finding that the impact on our ability to run volunteer based programs is being diminished. Non-profit organisations are often running other programs that are of very high value to the community, but may not necessarily be high value to the specific program that the agency or the government wants to run. For example, not all of our programs would be supported by Family and Community Services. That is of no interest to them. They want to see how much we can contribute. That is, in fact, diverting dollars from other volunteer based programs and other initiatives. For example, Lifeline, on which we spend approximately \$250,000 a year, has not one cent of government funding going into its program.

In terms of the actual administration of the contracts, we find it is equally appalling. I have already mentioned the fact they are often late in notifying success. We also find they are often late in advising what happens at the end of a contract and we get short-term extensions. What happens then is that we find that good staff on which you spend a lot of money in training and development often leave six months before the end of a contract, because they can go to another 18 month contract, or a permanent job, which then has significant ramifications in terms of the industry generally.

There is almost no contract performance validation or checking during the term of the contract. There appears to be no or very little communication between government programs or government agencies, or even programs within departments. For example, financial reports, which are pretty simple, normally cover the same type of issues. We have something like 30 different programs. We have our own very good financial systems and yet we have to do something like 25 different reports just so that we get the lines in the right order. They will not often accept a report that is slightly outside the form that says this is what you must fill in.

With regard to quality control processes, quality systems are often what you need to have on an organisation wide basis. There are about three or four different types of quality approaches that you can take. We are finding that, in each program now, what they want is to have an Australia wide specific quality process for that type of program. This often contradicts what is happening elsewhere in the organisation. For example, at Adelaide Central Mission, we now have to try and deal with, as an organisation, four or five different approaches to quality.

With regard to contracting, in terms of the clauses, it is very one-sided. Often, in relation to community service programs, you have contracts which are the same and need to cover the same issues. At both federal and state level, there is the Attorney-General’s Department or Solicitor-General’s Department that we are referring to. We do not have a

battery of lawyers. We find that each contract that comes through that is different, we now need to go to our lawyers and get advice and checks on contracts. When we find that some of the contract clauses are loaded in favour of the government by a large amount, we then have to go through a laborious process of trying to negotiate, often to be told, 'It is take it or leave it.'

In relation to data collection, I think we now have about five different data collection methodologies, all of which are writing their own data collection software and programs, which we are expected to maintain. There is very little thought given to commonality of data collection, even to having a specification, for example, that the name field would be of a specific length, et cetera. That makes it difficult to translate data to a common type of program that we can use. For example, we are trying to use CSMIS in order to ensure that we get the data and have savings in the administrative area. You cannot get something written that transfers across to another data collection process. We have one agency that has gone to the extent, and is so enamoured by the Internet, that their data collection processes are going to be in Canberra. We are expected to fund the cost of STD line calls to go into the Internet and pay for that to go in.

The other difficulty is that the data systems, once set, become very rigid and in fact start to determine the nature of your programs, so you actually then get a focusing on process and procedural issues and not on outcomes. They do not allow for other services run by the larger complex agencies. So, as I said, often we have other programs that we will run and we can share the experiences from those, and yet you get no credit for that. When I asked in one tendering process, 'Are we, as people working in this field, going to get any credit for the several millions of dollars that we are putting into the state in areas that are of benefit to which the government does not want to contribute, but which the government has set a high value?' I said, 'What allowance is going to be made for that in the tendering process?' The answer was, 'None.' I then asked, 'So you expect me to cut down those programs that are of benefit to the community and transfer those costs across to your program?' The answer was basically, 'Yes; well, that is your decision.' That is a significant community loss if that is the approach.

So, in summary, what we are finding is that there are enormous costs in relation to staffing, in terms of recruitment, retention, training, occupational health and safety, administrative compliance, knowledge and expertise. We are picking up that there is an element of cost shifting. We are basically becoming off balance sheet deliverers of government services. The bureaucratic administration costs are too high, not because some of them are not valid, because data collection quality and financial accountability are very important, but because people are not talking to each other. We believe that the quality and the scope of the services is under threat; that the very nature of non profit organisations in this country is under threat, because it is destroying community initiative, it does not know how to work with the system, and it is actually predicated on defining a problem with people in a single generic way, which is the deficit medical model for community services, which is blatantly against all current thinking and against the methodologies that we know work in community services. Not only is it destroying some of the community responses but also it is actually changing dramatically the nature of community welfare services. They are just some of the practical applications.

CHAIR—Would you explain the difference between Adelaide Central Mission and Port Adelaide? Is it the same faith, but a different branch?

Ms Craft—They are completely different incorporated bodies. There is a synod of the Uniting Church. They are separate boards and separate incorporations. The Adelaide Central Mission is based in the city and Port Adelaide Central Mission is based in Port Adelaide, so just the same Uniting Church base. They are completely different incorporated bodies. I will be fairly brief. I think it is fair to say that more recently the services that are being contracted out to the non-government sector by competitive tendering are becoming more proscriptive, especially by the Commonwealth. I actually wrote that to the CSP or the community support program. They are very proscriptive about the model that would be used. Unfortunately, that does not allow the opportunity for organisations to be innovative and creative in the model of service delivery to achieve outcomes that address some of the social issues.

There is a whole wealth of knowledge, experience and expertise in the field. We are the people who actually work with the clients who use the service. That should be used when you start looking at different models and the way to achieve outcomes. There still needs to be some diversity, because in different cultures and in different areas there need to be different programs and different models of service delivery, so there needs to be some flexibility around that.

There is no reason why it cannot align to policy and have clear outcomes. I think it is fair to say that, historically, in South Australia, we have had pretty good relationships across the non-government sector and also with the government sector. As we are going down the track of competitive tendering, people seem to be becoming a lot more closed about the information they have. Before, you could negotiate with a government bureaucrat and say, 'Look, we are having some problems with this service here; this does not seem to be working well. Perhaps we need to look at a different model; maybe the way we collect data is not working so well. How can we work together?' Now there are a lot more suspicious relationships between the non-government organisations and the government sector, so no longer are you prepared to raise issues. Instead, you go behind closed doors, you fill out the data forms, you pass it in: we are doing very well, thank you very much; can we have the next quarterly cheque. Very different relationships are beginning to form, which is not good in our human services.

I think that in competitive tendering, there is a lot more focus on cost rather than on quality service provision and not on the outcomes that the service can work towards. Funding agreements are generally for fixed periods. This means that the re-tendering process will need to be re-entered into, which can mean insecure funding and disruptive service delivery. You start competing again with perhaps agencies that you have had to work collaboratively with in the past to provide the service. This affects—

CHAIR—It does not actually say the period. Is that 12 months?

Ms Craft—It depends on the contract. Sometimes it can be 12 months, sometimes two years, sometimes it is three.

Mr Menses—You can win a three-year tender, as we have done, to be then told it is 12 months; you have to re-tender in 12 months.

Ms Craft—Flexible. That affects agencies like missions. It affects our ability to do long term planning, strategic planning, and continued improvement in service delivery. One of the implications is that there is a breakdown of networks. That is not going to provide good services to your clients. They start to break down. You have to re-tender soon, so perhaps you have to compete with the agencies that you try to work with.

Infrastructure decisions are made difficult: I do not want to be too practical, but things like car leasing, office space, those sorts of things, those infrastructure decisions. Volunteer involvement: volunteers offer their service because they align with certain values or beliefs of the organisation. If a service is being tendered out to one organisation that has a pool of volunteers and then that service re-tenders, they do not get it and it goes to another organisation, it does not mean the volunteers who were working with that service are going to transfer to this other organisation. You do not know the cost involved in that. I think it is worth taking note of that.

Consumers find it difficult. It is hard enough for someone who is facing some difficulties in our community to go to a service. They have lots of barriers to break down, to knock on the door and to say, 'Hi, I need some help.' They get to know an agency and staff and they feel more comfortable and maybe some good work can be done. If the service is then changed to another provider, the client has to re-establish those relationships all over again. Also, the client has to find the service. Some might relocate from Port Adelaide to Enfield or to Happy Valley. You have to think of the clients whom you are servicing.

The development of rapport and trust within the community can break down with this re-tendering process. We are not talking about clients but rather things like employers, business volunteers and neighbours. If you are running a youth shelter, I can tell you now that it is important to get to know the neighbours, explain the service you are providing and develop that rapport so they know whom to contact and they feel comfortable about having the youth shelter next door. If that shelter is moved, a whole lot of re-establishment has to occur. It is very costly and time consuming.

CHAIR—You have made all of these points in your submission. If you could go to some concrete examples, I am interested in the employment programs.

Ms Craft—The JPET?

CHAIR—That is a Commonwealth project. It seems to me that that has produced a good outcome, has not it?

Ms Craft—The job placement and employment program?

CHAIR—Yes.

Ms Craft—No, it did not. We actually lost a lot of good staff and we traded in their office space. It was there to help young homeless people enter employment and training. The tendering process started in October; it had to be in in the next month and you were given four weeks to get the tender up, do your research, and the cost involved in doing that. I kept ringing, December, January and February. They wanted it up and going in January. The outcomes were not known publicly until May, so it was not actually a good outcome. Young people could have got that service from January.

CHAIR—By the time they gave you the job, you had no staff left?

Ms Craft—You cannot keep staff on if you do not have the funding to keep that continuity up. Another example is the mental health program. That process was better. We had some time actually to do some good research, but that cost a lot of money to get the tender up and then to negotiate around the table with the funders and the service providers.

Mr Menses—There are lots of cost savings in the way that our organisations have been run. The full cost of services is not sufficiently recognised. We do not have a commercial approach. We do not put in huge contingency sums when we operate. Now, when we start to tender, we are going to have to start thinking about increasing our costs to cover very simple things like car leases. We enjoy very competitive car lease arrangements so that we can service people in their homes very inexpensively. However, now with the uncertainty of processes, we cannot go to the car lease places—

CHAIR—I cannot understand how you can do that when you have a lump sum contract being presented to you. You are saying that it is a schedule of rates and, once you get over this certain amount, you will not get pay any more; is that the worry?

Mr Menses—We would actually like to see lump sum contracting. It is really much more of a schedule of rates that comes across. There is, in fact, a lot of specific government control through financial accountability requirements. We do not mind the fact that we need to be financially accountable, but it is actually management by stealth. You have to spend X per cent on staff, X per cent on cars, X per cent on this, and if you start to demonstrate some efficiencies or savings in the way that you reorder the money, you are often met with resistance.

CHAIR—Have you finished?

Ms Craft—Yes.

CHAIR—We need to hear another witness before lunch. Have you been present for the whole of the hearing?

Mr Menses—Yes.

CHAIR—It was good of you to make that commitment. We heard from the department about the current process warts and all and that the previous process had warts

as well. How would you describe the concept of some funding on an application base—the old process? It would have had the same difficulty, would it not?

Mr Richards—I think it has become worse. Part of it is that I think at the same time as this occurring, there is a severe cutback in funds and so we are actually seeing both processes take place through the mechanism of competitive tendering. For example, we developed a very new concept in working with kids who were living on the streets called Streetlink. We took some time; it was built on working with them and then trying to bring together a whole range of services. We put in a substantial amount of our own money from that and got some funding under SAAP. What happened under the restructuring is that SAAP said, ‘No, we are not here to work with kids on the street. It is actually once you have the housing.’

So, with this competitive tendering process there has been a redefinition of what is our core service, whereas under the old grants system, at least it was the feeling that we are going to be working in this area and there seemed to be more flexibility. Because there was this consciousness that we had better be careful we are getting what we tendered for, you are getting a far greater issue on focusing on core services.

The difficulty is when you are dealing with, say, one of the kids on the streets, you, in fact, could have a drug addiction problem, an education problem, training, housing, physical health, mental health, and a child sexual abuse issue, or all the above, in some cases. The difficulty is that we still have this very much stovepipe approach to funding, which is getting worse under competitive tendering. So you are getting funding for delivering a service to somebody. Consequently, you have to work like crazy to patch up and plaster over the gaps and try to get services from wherever you can.

Under the grants system, there did not seem to be quite this focusing on specifics. There was some fudging around the edges. Under the competitive tendering process, it is becoming more and more defined around core services.

Mr Menses—I have been in the state now 10 years—I came here from New South Wales—and there was a very combative relationship between a lot of the agencies in my experience in New South Wales. I was quite moved to discover a much more collaborative environment in this state. I have seen that eroded over the last few years. Under the grants system—I am not saying there were not problems with it—there was a much different approach. People wrote letters of support to one another, there was greater collaboration, and there was that exercise. We are not going to reinvent the wheel; you are doing that and we will support you doing that.

Under competitive tendering, what has happened is that government or the bureaucrats have actually started to bring in notions of competition. You cannot talk to one another. This is seen as collusion; this is seen as a ring; you cannot agree not to do this and someone else to do that. As well as the reduction in funds, different attitudes have been injected from outside the sector into the process that worked against people starting to think about working collaboratively as well. I have certainly experienced and seen an erosion of collaboration.

CHAIR—Does the signing of the contract require you to sign a confidentiality statement of some sort that you cannot disclose or discuss? Is that there?

Mr Menses—No, that is not there in this particular contract. There are some very clear expectations of confidentiality under some other funding programs and government contracting. The alternate care one does not have a specific statement to that effect.

CHAIR—That is to protect the interests of the clients.

Mr Menses—There are certainly confidentiality components in relation to the clients, which is perfectly reasonable and not an issue. I understand your question is talking about confidentiality with my talking to Stephen, et cetera. We are certainly insisting on some of that, because the government is saying, ‘We are going to tender for various aspects of your service in the future. We want access to all your information.’ We are saying, ‘Hang on, we do not think that is very fair, if that is what you are intending to do.’ We are certainly having some debate about that in the contract currently.

CHAIR—There is a lot of meat in these four submissions.

Mrs DE-ANNE KELLY—Mr Richards, you mentioned the street children before and the stovepipe approach. I did not quite follow your point. Are you saying there is a piecemeal funding approach? You get funding for assisting in cases of sexual abuse but not for finding housing? I did not follow.

Mr Richards—When we first set that program up, there was the flexibility inside SAAP actually to define the purposes of SAAP to be able to make sure the kids ended up back in stable accommodation, so we were able to bring together some support regarding abuse, spend some time locking them into the education system, for example, we were able to get some back into high school and, in fact, a couple into university and housing, so a whole range of things. What happened under this new sort of stovepiping effect was that SAAP said, ‘No, if we go back to the legislation we are only allowed to work with people who are predominantly inside the services’, so there was a restructure and Streetlink, notwithstanding the support, the reviews and the evaluations, just got cut.

The difficulty, and the one I have raised consistently, is that the funding seems to follow the department and then the program within the department. If you try to take, for example, a case work approach to a street kid, that needs to be able to have a fair bit of flexibility with how you work with that particular person, because, when you have a whole lot of complex and competing needs, the kids are not the same. So, therefore, you cannot define the service specifically for each individual purpose, but trying to get an ownership from a government department or somewhere to say, ‘Yes, we will fund that,’ is impossible, because they will say, ‘No, you have a housing component; we do not fund housing,’ or, ‘No, you have a health component; we do not fund health,’ or, ‘No, you have a mental health component, we do not fund mental health,’ et cetera. At the moment, the response is using labelling and definitions not as a healing mechanism but as a way of saying no to people that you do not have to fund. The classic example of that, for example

Mrs DE-ANNE KELLY—Was that funded under a state or federal initiative?

Mr Richards—SAAP is a combined state and federal initiative.

Mr Menses—A lot of us on this side of the table have come up through the ranks, as it were, in human service delivery. I am actually a family therapist by profession. In working with families, the more problems they have defined for them, the less soluble their situation appears to be. Current fundings, the small little components, mean that they have actually to present and prove they have a problem to get help and they have to prove that they have six different problems, when the first task of a therapist is often to recast all those problems into one solvable concept for that family, and our whole system works against that. Actually, the way we are funding services works against change.

To add emphasis to Stephen's point, it is not just across departments but within departments. We once went to a department; we had three programs all funded by the same department. We said, 'We can actually merge those three programs and provide a more holistic service and we believe we can see more clients and, what is more, we will give you \$300,000 back.' We literally said that. We did have an idea about how we could spend it, but we thought we would say goodbye to that money. They were not prepared to consider that, because they were three different divisions within that department. There were little kingdoms there hanging on to it, hanging on to that definition of the problem.

Mr Richards—If I can give you an example of tragic proportions in terms of that stovepiping—it is not directly relevant, but it is akin to this. In the mental health area now personality disorders are not regarded as mental health. In one of our services where we work with people we had somebody presenting. The staff saved that person from hanging themselves in the facility's bathroom. We then got in contact with mental health, but the label attached to this person was 'personality disorder' and, therefore, it was said, 'This is not a mental health problem.' The difficulty is that personality disorders are not a hospital issue, either: nobody wants them. This is a direct result of one of the overlying threads that even comes through here, which is core services and let us define what we give.

So, consequently, huge gaps are opening up in our community services right across Australia and, unfortunately, in community services, people more often fit the gap than they do the definition. We believe that that is very much costing lives today.

Mr Menses—Three agencies sit here. I want to emphasise that we literally run child care services through to aged care services and a lot of things in between. We actually see the interface of a range of government policies and funding of things. We see people fall between the gaps. We are working for a more holistic approach. But, rather than experiencing cooperation and saying, 'Look, this program impacts on that program and we can make some savings there,' we perceive resistance. Government bureaucrats are not interested in talking to us about it. It is just not conceivable.

The way that competitive tendering is being applied, it is focusing that all the more. Here is the little goal that we are trying to define and we are having to be more and more conservative. We cannot come in with the radical ideas any more. We have to get

that often to maintain the viability, to maintain our core, protect our staff, and maintain the services that we want to provide.

Mrs DE-ANNE KELLY—What do you offer as an alternative?

Mr Menses—Certainly the welfare services require ongoing monitoring and change. I think I would cite the family support services that we run. Our organisation has been doing this for 22 years. Those services have changed quite radically over that period through, I think, pretty earnest negotiation by government, clearer outcome statements by government, and some rather hard talking. They are now talking about that as being tendered out. After 22 years of infrastructure investment, there is no commercial upside for our organisations. If we lose that program, we are going to be now quite cautious about what infrastructure we put in anywhere in the near future, because we are here for the long term. I think that tendering, if it is at all appropriate, is only appropriate when there is a new, complete, separate service. When there are existing services, certainly there has to be an open level of accountability and measure. If you do not meet those, you should not continue to be funded for that.

We are not saying grants were the solution to everything, but we think there are a lot of good ideas being thrown out with the bathwater currently. We think it is worthwhile going back and revisiting some of those things.

CHAIR—You have been very strong with your recommendations, Mr Menses. We have got those in your chapter 6; Ms Craft has, I think, five recommendations in your summary, which is to sort of bring it back to a positive, and Mr Richards has provided us with some concrete examples of bad experiences associated with poor tender specifications and some poor decision making, which reflects on a process. We will endeavour to take all that on board and we may have ongoing contact before we get to the stage of drawing conclusions from all of this. We heard about ‘warts and all’ earlier. You have certainly given us examples of a few warts this morning.

Mr Menses—We were not privy to the state government submission until we heard it this morning, so as you asked them to respond to ours, we would certainly be keen to put our perspective on theirs as well.

CHAIR—Their submission is on the public record. We have asked them to make further responses to some of the criticisms made by you. We will assess all that when we receive it as well. You have not all had an opportunity to speak. We still need to hear from SACOSS yet. Thank you also for the time you put in to listening to the other witnesses.

Mr Menses—It is something of vital importance to us.

[1.17 p.m.]

HENLEY, Mr Mark Clayton, Executive Director, South Australian Council of Social Service (SACOSS), 1st Floor, 220 Victoria Square, Adelaide, South Australia 5000

HODGSON, Ms Anne Meredith, Organisation Member, South Australian Council of Social Service and Chief Executive Officer, Relationships Australia (SA), 55 Hutt Street, Adelaide, South Australia 5000

NEAL, Ms Rosemary, State Community Development Coordinator, Community and Neighbourhood Houses and Centres Association Inc., 96 Rundle Street, Kent Town, South Australia 5067

CHAIR—Before we proceed, may I point out that, whilst this committee does not swear its witnesses, the proceedings today are legal proceedings of the parliament and warrant the same respect as the proceedings of the House of Representatives itself. Any deliberate misleading of the committee may be regarded as contempt of the parliament. We have a submission from your organisation under Mr Henley's signature, which is brief and to the point.

Ms Hodgson—I should just say that I am the chief executive officer of Relationships Australia, which is an organisational member of the South Australian Council of Social Service, and I am also here in my role as a doctoral candidate at the University of South Australia. My research is directly related to this topic.

Mr Henley—We would like to take on board what was said in the previous presentation and to pick up on issues particularly for some of the smaller agencies that are SACOSS members, and Rosemary will pick up on that. Meredith will speak briefly about some of the issues that are emerging really from her academic interest. I will make a couple of brief comments at the end of the presentation.

CHAIR—Mr Henley, are you sort of at the administrative level and the other two representatives are at the coalface?

Ms Neal—Yes.

CHAIR—Sorry, I beg your pardon, Mr Henley, you are at the coalface, too.

Mr Henley—Yes. We certainly have to do with organisations that are at the coalface and some of their members, also, so we have a fairly good idea of what is going on. I want to finish up with a couple of suggestions as to where to go from here, because this clearly is an ongoing discussion and the debate keeps moving on. If Rosemary could address you first.

Ms Neal—I represent CANH, which is Community and Neighbourhood Houses in this state. I want to build you a picture of what our peak body does and what it represents. We have six staff, the equivalent of 1.5 full time: we are a huge organisation. We provide

support, training, advice, direction and vision, if you like, for Neighbourhood Houses and Community Centres in the state. There are something like 80 of them country and metropolitan wide. They represent about the equivalent of 40 full-time people running 80 organisations. The rest of the network is made up of volunteers, both on management committees and in service provision. There are something like 800 of those management committee members throughout the state. It is part of our role to support these people. Neighbourhood houses are a very generic model of community development, if you like. They provide services and activities, and they are often the end of the road, or the people who literally fall through the gaps—I guess those people that many churches deal with, also.

Why we are so different is that we are small; we are locally based and have local management committees. Our consumers or our participants also become our management committees who run our services. It is a very interesting model of operation. Our role as a network is to provide support and training. The value of what we do as a network in total is very much along the lines of the social capital stuff that has been talked about. It has suddenly had a bit of a kick on. People are actually talking about the value of humans, of people, and the social capital in that value.

We have also been involved with Dr Fran Baum's research in the western suburbs of this city in terms of health development and social capital and what it actually means to be a member of a locally based group that actually identifies its own needs and then tries to produce outcomes, some end, to resolving problems and issues for those people.

I think that Libby talked a lot about trust and about the value of building community and what that means. You cannot just move it from one section to another geographically or between agencies.

CHAIR—We understand all these concepts very well. We have been involved with this for a while and most of us have had some form of involvement. We need to get to the 'warts'. Can you get to the 'warts'?

Ms Neal—My next line is 'The warts'. I want to build that picture very briefly. As a very small organisation, it has been difficult for us. We have gone through a state based tendering process with other peak bodies, which I think took about two years. As of 1 July last year, our tender, in which we were successful, kicked in. We found ourselves with a reduction of \$20,000 at least in terms of operating cost. For an organisation that has very little infrastructure support, we do not have reserves, we do not have cash flows, we have no-one else to rely on except ourselves and a very poor membership base. It has been a critical nine months for us. By the end of next month, March, my board will have to look at our association. Do we continue to exist? Tendering for us has actually meant almost the end of providing support to our houses. I will not go into the process; I think you have heard enough.

CHAIR—How do you tender for a service you deliver? Have you been asked to tender?

Ms Neal—Yes, we were asked to tender. We went through a tender process through Family and Community Services. All peak bodies, and industry support and development were asked to tender.

CHAIR—What do you tender, the amount of rent you will charge?

Mr Henley—The model that the state government has developed, after much contention and we did not agree with it, was that they basically called tenders for what they have referred to as the provision of best advice and the provision of best practice. So what were previously peak bodies have tendered for those specific services.

Ms Neal—We were successful in winning our tender. That has meant a complete almost rejigging, if you like, of how we operate and what we do. Some of it has actually followed on from where we were in the past. Our role has also changed, too. I spoke to Meredith late last year about how it has affected me, as I guess the prime staff member of that organisation, on 22 hours a week. My values have changed. Now I will hesitate before talking to other consultants, other successful tenderers in terms of information about the network, as much as I want to promote what we do, because, for us, it means possibly less money coming in, fewer resources, and making it even tighter than it is now.

We really face extinction—I do not know how it actually works in terms of other agencies, but certainly, for our agency, we may not actually survive it. In terms of trying to predict the future for houses, housing centres have not entered the tendering process. Some have, and some have been very successful, again, larger ones. The small ones that are locally based will not stand a chance in the tender process. They just will not make it, full stop. If we cannot survive as a peak body, as a fairly large representative of the houses, they will not make it. By the very nature of who they are: they are locally based and locally managed; they are made up of consumers with mental illness, people with disabilities, young families who are actually on the committees trying to put tenders together, we do not stand a chance against some of the large agencies because we have not got the resources to back that up. I am not saying that these people do not have skills, but certainly it is a very difficult process to go through.

Someone else mentioned this before this morning, but in terms of volunteer time, they already volunteer many hours. I think some of the figures we worked on late last year were something like \$7 million just from our network alone in volunteer time every year that we contribute to the state economy. If you ask people to double that, take on the legal responsibility of putting together a tender and accepting it, people will run miles. That is the sort of impact it is having on those very small services that I look after.

Ms Hodgson—I wish to make some observations about the future for community services management in particular, and these comments are based not only on my experience of working in the community services sector in management but also some particular work I am doing around the way in which managers maintain their practice in the challenging funding environment. That is the sort of area of my research. I have been talking to managers, and will do so for some time yet, about the changes that they are experiencing and they relate both to the background and experience of those now

becoming managers and those managers of considerable experience in the way they are adjusting to what they describe as a singularly uncertain set of conditions.

The focus here today has been quite a lot on clients and on workers in organisations. I think it is important to look at some of the management structures, because many of those are supported actively by volunteers as well, that notion of management structures in incorporated bodies where a large number of people provide their expertise in order for those organisations to exist.

The observation that managers in paid positions particularly have been making pick up on some of the issues that you have talked about this morning already. Particularly, there is reduced efficiency of organisational processes, the short-term nature of management strategies in the light of funding uncertainty, the loss of expertise from the sector generally, and also the loss of expertise from management. Mr Jenkins made reference earlier to the issue of management expertise in small organisations. There is conservatism in decisions, in planning and development, in staffing, and in training. A corollary to that is that hesitation about innovation and, particularly, from a management point of view, the increased costs and duplication of management tasks.

I think, as Richard Deyell earlier today mentioned, it is important to restate here that community service managers have not universally condemned the contracting of tendering framework. They are not saying that other arrangements were so much better that the clock should be turned back; they are looking for a discussion that will improve the situation, taking account of our experience. We are questioning the suitability of the models for the work of the community services sector. We are looking for a framework that recognises the contribution and the potential, rather than placing organisations at an information, performance, assessment and research disadvantage, and there have been discussions already today about the issue of intellectual property and other things arising from research.

They look to some of the benefits that can accrue when contracting is done in an open environment, like joint tenders, joint service provision and recognition of contribution. We are not an environment where those are supported. My work particularly has had a sharp focus on small agencies. I think it is important for the committee to recognise that some of the small agencies have budgets that are below the \$150,000 mark, so you are talking about very small organisations. Although my work has not been limited to those, I think it is important to recognise that issues and management tasks are handled very differently, as Rosemary has mentioned, in agencies of two or three staff, than one where there may be 50 or more staff.

In smaller agencies, volunteers are involved directly in the management tasks, through committee and day-to-day work. The scope to do research, assess, plan or write tenders or submissions is very different. The collection and inputting of service and financial data, and the very systems which operate to ensure services are delivered, are markedly different.

We have had comment today, which my research firmly supports, that the dilemma

facing many managers and their organisations is the duplication of statistical work, of management tasks, and of accountability. It is not a lack of acceptance or recognition of the value of these; it is the number of times over and over again managers have to undertake and supervise these tasks to meet different funding requirements.

In my role as chief executive in Relationships Australia, I deal with that every day, the need to produce information in different forms to meet small aspects of different tenders. It is a very important issue when you are trying to be efficient.

Managers in agencies have seen other small agencies disappear. Mr Deyell this morning was unable to name some. We will be able to provide you with that information in a moment. We are finding that people with the skills, qualifications and experience are choosing not to take management roles. When they are already in them, they do not want the most senior role due to the perceived difficulty in carrying out the role of being a manager in a funding environment which is adversarial. Few seek management responsibility, which could be reasonably expected to include retrenching all your staff and closing your agency. I have had that direct experience. So what have managers been saying about their practice?

CHAIR—Because of competitive tendering, or because of other ingredients?

Ms Hodgson—Do you wish me to explain that shortly?

CHAIR—I should not interrupt you and should be more disciplined. You finish.

Ms Hodgson—Managers talk about quality and about service to clients. They raise the concern that service quality is placed at risk through aspects of the tender process. There is no sense of continuity or surety. Accountability is based around measures which are not integrated into a broader organisation. They need to use systems which may be at odds with existing systems and those required by other funding bodies, as I have suggested.

The implications of this for future management are that managers see work being done with ever narrowing target groups, services being provided in isolation, fewer clients having access, with a resulting increase in waiting lists, and that choice for those needing service is being greatly reduced as small agencies disappear. Managers talk about wanting partnership. They lament that this is not fostered in the current environment. In my own organisation, discussion with others which are funded by the same body is limited. We are cautious about approaches for information from agencies which offer similar services, but which are not funded with similar mechanisms. We wonder if they are waiting for our tender to be renegotiated so that they can bid. That is a realistic concern.

Managers talk about partnership with their clients, how the development of a relationship with clients, one based on security of service delivery and on choice is the most effective way to work with many clients who, with complex problems, need continuity of support over a lengthy period. Community service agencies, especially small agencies focusing directly on the provision of welfare services, do not have the resources

to attract high salary managers.

CHAIR—Do you intend to read all that? You can submit that and we can formally admit it.

Ms Hodgson—There are only about two paragraphs to go. Many managers have chosen, in the past, to work in the field, because they see their roles as supporting social values. These people are questioning whether their values are met in an increasingly business culture, but one which does not bring with it the personal financial rewards of the business operation.

I wish, just for a moment, to raise a couple of issues that were raised earlier this morning. Mr Beltchev commented on the issue of pilot projects. He was talking about the neighbourhood network mental health program. One of the issues that managers are confronted with is submitting tenders for pilots without the knowledge that that pilot may be successful and, therefore, may be accepted in the longer term. They place their resources into developing new ideas and that focus develops intellectual property for them. They are then faced with a situation of not having that service in the longer term and, therefore, that research and development is lost. I think one of those comments was made by the group before us.

We have now adopted, as an agency, the need to identify to the government where our intellectual property is involved in a tender bid and ensure that they return our material to us if we are not successful, because we have experienced a good idea being taken and funded in another area not being funded by the agency which has actually developed the idea or had the innovation. I think those sort of competitive problems take on a different meaning when you remember that the focus of our work is on outcome for clients and not on organisational survival.

CHAIR—Can I ask a question about Relationships Australia? That is funded by the Attorney-General's program?

Ms Hodgson—In part.

CHAIR—Have you been subjected to a competitive tender for that funding?

Ms Hodgson—Not yet.

CHAIR—Have you been advised that you will be?

Ms Hodgson—That is the path they are taking.

CHAIR—Formally?

Ms Hodgson—At the moment, the Attorney-General's Department is engaged in extensive research with all its funded agencies to identify the areas of the program that will be continued. They are involved in a very extensive quality assurance research project

and a number of sub-research projects. So, we are obliged, at the moment to be involved in intensive research, which we believe, in the longer term, will lead to a renegotiation of the framework within which we are funded and that that will be a more open process than it is now.

CHAIR—Mr Henley, do you intend to make a statement? Do we take your submission as read?

Mr Henley—You may take it as read. I thought that you might, having had a long morning, wish to spend the remaining time ascertaining where to from here for this inquiry.

CHAIR—In the second last paragraph you mention a positive statement that SACOSS:

. . . will be collaborating with the State Department of Human Services through Family and Community Services to:

* Assess the impacts, positive and negative, of the first round of tendering . . .

You are going back to the middle of last year. Has there been progress on that? The department gave us a more glowing report this morning, from their perspective, than what we have heard subsequently. Have you been satisfied with the progress on assessment?

Mr Henley—No, we think more work has to be done. We think that the state division of Family and Community Services, as it now is, has put more effort into that question than many other government departments. That is why we are prepared to work with them. The focus that we are talking about there—and that work is about to be reactivated after a lull due to state elections and related issues—is the crunch question of resource allocation models. We believe that we have moved from a grants based model and had a tendering competition model imposed. We believe there are elements of both which are useful, but we need to develop the next generation of resource allocation models. That is the work that we are looking at doing jointly with the division of Family and Community Services here.

We think that work is of crucial importance and is part of the way forward for the developing of new models, because the CT model has really been imposed without much discussion or dialogue. We believe, again looking at directions from here, that one of the lessons learned is the need for there to be an industry wide plan that is developed in partnership between government and the community. So, if CT is the answer, what is the question? What are we trying to achieve beyond the fairly broad, platitude type statements that have been made? What is the real industry plan? What are the goals that are trying to be achieved?

We think an outcome for this committee is, in fact, moves to develop that sort of community services industry plan. We think there needs to be a clear strategy, too, for driving change. SACOSS is acutely aware that we are a sector which is about change,

change for individuals and for communities. As a sector, we must be able to change ourselves.

SACOSS is involved, at state level, with a process. Seven or eight years ago we started a process to review the community services sector and to look at how change can effectively be developed. Unfortunately, we think the competition policies have derailed some of that process. We are seeing there is an ongoing need for a clear articulation as to how change processes occur and how they are driven and, in particular, without wanting to sound self-seeking, we believe the role of peak bodies like CANH, like SACOSS, like many others in achieving this has not been understood and yet is critical for the efficiency of the sector and the industry.

We think that this committee needs to come up with some suggestions about protocols about when to tender and when not to tender. I think that has been considered already. We certainly believe, as indicated, that the work we will be doing with the division here about canvassing the next generation of resource allocation models is crucial work that needs to occur. We think there are some practical and pragmatic things this committee can assist in doing, like clarifying the role of the ACCC regarding markets within not-for-profit service provision. So what jurisdiction does the ACCC have on that one? That is a crucial question when looking at the trade-off between collaboration and competition in a sector which, historically, has seen its strength is in collaboration.

We think that there needs to be some clear work done to develop benchmarks and what is to be achieved. We think there is some clear need for work to be done sector-wide on an understanding of ownership of intellectual property. Clearly, there needs to be a framework whereby whole of government systems, and I am talking here federal and state as whole of government systems, are developed. Those whole of government systems would need to encompass performance measurement, financial capability, quality systems, acknowledgment of human capital, building of social capital, development of client focus, and integration of service provision.

We think that consideration needs to be given to what we might call an industry reform package. Other industries that have experienced major reform have had industry assistance packages developed. We think that such a package is clearly required for human services. That package might include elements like research and development, how that occurs; development of benchmarks; consideration of continuity of service; information systems, including data collection; and the capacity of smaller agencies to be able to engage in tender processes.

We think there also needs to be a protocol regarding the processes put in place beyond the pilot. You have heard from others today about this being the age of the pilot, where pilots are put in place, the follow through does not happen, human capital is lost and continuity of service is lost. We believe that a protocol needs to be developed that actually deals with, if you like, beyond the pilot.

Very briefly, they are some dot points about the types of directions that we think need to be considered by this committee, given the comments that we have made in our

submissions and that you have heard from previous witnesses.

CHAIR—What do you mean when you talk about developing an improved distribution model? Is that in some way saying: ‘They are the resources that are out there and somebody has to pick a winner and that is the problem’? Someone is always going to say, ‘Why did you not ask us?’ but then it can be developed in consultation. You still get the same outcome with the performance criteria that measures and collects data and information.

Mr Henley—We have moved from a grants system to a tendering system. What comes after that? What is a better way to do this that picks up the good elements of both the systems that we have had experience with? That is the objective. I do not know the answer, but I am clear that the question has to be answered, and it has to be answered quickly, because I think we need to have a range of resource allocation models, rather than that which we have at the moment, which is a hybrid which is neither fish nor fowl. We have elements of old grants models still around the place in terms of the actual practice. We have people trying to get hold of a tendering process. So, we have bits and pieces.

CHAIR—What is SACOSS’s position? Does it want to go back to the old?

Mr Henley—Absolutely not. We recognise that what has been in the past is appropriate. There are lessons to be learnt from that. We are also saying, as others have said previously, the current process or the current reform agenda is not working, so there are real problems there. We are saying let us get back to the strength of the sector, which is to say let us get the parties together, let us get the stakeholders together and put on the table what the givens are in policy, what the givens are in budgetary constraints. Given that, what sort of transparent, client focused, fair resource allocation models can be developed and applied? That is the question. We do not have the answer yet, but we have some sense as to the developments.

CHAIR—You said if CT is the answer, what is the question? That is a good place to start resolving any difficulties.

Mr Henley—Whatever we do, we have to have a clear client focused sector. We have to ensure we get the best outcomes for the clients and we understand that very clearly. However, I think some alternative models need to be developed for those allocations of government and community resources.

Mrs ELIZABETH GRACE—You talked about restructured capital. Why do you see the need for that? You said when other programs have changed, other organisations have changed, they have provided capital for restructuring. Why do you see a need for that in this particular area?

Mr Henley—Because there are some real black holes occurring in the transition from the grants model to a tendering model and we are not seeing the research and development being done that the sector needs. We are not seeing the benchmarks being

set. We are not seeing the continuity of service for clients occurring. We often lunge between one service—a close down. If you want a clear example of that, the flex tendering is a classic example. We have had services, we have services cut, we have had clients waiting for services and we now have confusion as to who is providing what service. We need some funding actually to ensure that continuity of service occurs.

We clearly need information systems, so that the information about what tenders are available, what programs and what policy the government is developing is, in fact, widely understood and known in the sector. We need an information system. I think, for smaller agencies, we have to consider the question of how do they get the wherewithal to be able to tender? I think they are the sorts of issues which, in other industries, have been picked up in industry assistance plans.

CHAIR—I agree with you about ongoing contacts. I thank you for your time today. I think that, since the time you have made your submission and with your comments you put on the record there, you have moved to the positives. That will be very handy for us.

Mr Henley—We are certainly acutely aware of the negatives. By focusing on some of those ‘where to from here’ aspects, I do not want it to be understood that we accept all this, but I know that the groups before us dealt with those issues in some detail. I want to underline what was being said there. The other thing I will not speak about now but I promise I will come back to you with is a brief summary of some of the agencies that have been de-funded at state level over the last couple of years.

For example, we had a state branch of SACOSS in Whyalla, a regional centre. In the move to restructure industry support and development, funding for peak bodies, there is now no agency funded outside the Adelaide metropolitan area to represent the interests of rural communities. That is just one example. I will come back to you with more.

CHAIR—Can you contact the secretariat? We would like to have an answer to that and check it with what we get from the department. Thank you very much to all the other witnesses and *Hansard*. I now close today’s proceedings.

Resolved (on motion of Mrs Kelly):

That, pursuant to the power conferred by section 2(2) of the Parliamentary Papers Act 1908, this committee authorises publication of the evidence given before it at public hearing this day.

Committee adjourned at 1.50 p.m.