



Submission SYFS A Stronger, More Diverse and Independent Community Sector November 2023

7th November, 2023

CSAG Secretariat
GPO Box 9820,
Department of Social Services,
Canberra. ACT. 2601.

To Whom It May Concern,

RE: A stronger, more diverse and independent community sector Issues Paper

Thank you for the opportunity to contribute to this important initiative to support and strengthen the community sector. Community sector organisations (CSOs) play a significant role in supporting the most vulnerable and disadvantaged, and contributing to the wellbeing of the broader Australian community. Southern Youth and Family Services (SYFS) provides services to children, young people, adults, and families who are disadvantaged, vulnerable, homeless, or at risk of homelessness, in the Illawarra Shoalhaven and Southern districts of New South Wales.

In this submission, we first provide some background information on Southern Youth and Family Services, and then address the focus areas outlined in the Issues Paper, drawing on more than 40 years of experience operating vital community services in these regions.

About Southern Youth and Family Services

Southern Youth and Family Services (SYFS) was established in 1977, when a group of people in Wollongong concerned about homelessness and young people came together to establish a youth refuge. It opened its first service in January 1979 and has since grown to over 200 employees and 47 services. These services include social housing (approximately 220 properties), transitional housing and supported accommodation, outreach, early intervention, family relationship support, residential Out of Home Care and outreach support, financial and material assistance, skill development, psycho-social support, advocacy, information and referral, health and personal care, education (including a specific program for Aboriginal school students), training, and pre-employment support, community development/neighbourhood centre, a mobile preschool, and a multicultural playgroup. In 2022/23 SYFS provided substantial support to 5,401 young people and 2,970 families. In addition, we provided 15,048 instances of one-off or casual support. 28 per cent of SYFS clients were Aboriginal and 15 per cent were non-English speaking. 11 per cent had had contact with the criminal justice system. Our programs are funded through Commonwealth and State funding agreements, philanthropic donations, and social enterprise.

1. Giving the sector the voice and respect it deserves through a meaningful working partnership

Strong relationships between the community and public sectors are essential to the proper functioning of CSOs. We note the observation in the Issues Paper that frequent consultations can become a burden on CSOs, who have limited resources to devote to lobbying and advocacy. SYFS sees contributing to consultations and inquiries as essential to the development of good social policy. It becomes burdensome only when sector expertise and advice do not lead to policy change. Consultation must be meaningful, and the Government must be willing to listen to feedback from the sector if it wants to improve outcomes and maintain trust with the sector.



The suggestion in the Issues Paper for a ‘streamlined’ consultation processes misses the point. For example, we recently participated in a Department of Social Services (DSS) public consultation session on the National Housing and Homelessness Plan that adopted a ‘streamlined’ approach. Participants were invited to submit 200-word answers to a limited range of questions put by the facilitators, who then chose a few of these answers to read aloud as part of an online forum. The exercise seemed fruitless, with no opportunity for direct discussion with Departmental staff. Strict limits on the length of answers meant it was impossible to provide nuanced and thoughtful feedback.

The Reconnect Program was established in 1999 following the earlier Youth Homelessness Pilot Program managed by the Prime Ministerial Youth Homelessness Taskforce. In its early days, Reconnect was a good example of an effective and respectful partnership between CSOs and a government funding body that achieves outcomes for homeless and at-risk young people and their families. Evaluations of Reconnect indicate that interventions through the Program resulted in significant positive outcomes for young people and families. Some of the factors that contributed to the success of the model identified in the first of the national evaluations included:¹

- The service design, and eventual funded Program, was developed from the evaluation, research, and articulation of good practice principles from an original pilot program that engaged with CSOs from the start.
- Regular national Good Practice Forums involving CSOs and government funding managers showcasing and forming good practice principles were adequately resourced.
- There was an emphasis in the Program on action research and community capacity building at a CSO level that encouraged continuing innovation and collaborative community approaches.
- A national approach to evaluation that encouraged Program improvement.
- A culture of respect and permission to make mistakes and learn and evolve based on the learnings generated.

This Program provides a good example of how to engage CSOs across the policy design and grant lifecycle as documented. The introduction and resourcing of national Good Practice Forums at a Program level has proven an effective way for CSOs and government to engage, share, distribute and influence in a face-to-face manner and to foster respectful relationships. While this approach is resource intensive, it is less so than conducting multiple consultations across government departments and Programs, and less intrusive on CSOs who need to divert resources and time to these, causing consultation fatigue. Unfortunately, many of these contributing factors have disappeared since the administration of Reconnect was transferred to DSS.

The Community Services Advisory Group (CSAG), established in July 2015, is the key community services stakeholder engagement group of DSS. We are a member of the CSAG and find it to be a useful medium for sharing expertise with the Government. We would support the suggestion in the Issues Paper to bolster the roles and responsibilities of the CSAG in recognition of the extensive expertise and knowledge in the sector. However, it is important that the expertise and experience of sector leaders is taken seriously and that CSAG provides opportunities for CSOs to communicate directly with senior public servants and Ministers who have authority to make decision based on the advice given. At times, DSS exercises too much control over CSAG deliberations, meaning that member agencies are left responding to rather than shaping the agenda. We would like to see the considerable expertise of CSAG members better utilized.

Membership of CSAG is weighted heavily in favour of the largest, national-level agencies. SYFS is the smallest agency represented on the group, and we operate in both regional and rural areas. Smaller agencies can provide a different perspective, and consideration could be given to giving small and medium-sized agencies better representation on CSAG. This could be carried out by means of a review of the groups existing membership, with existing members invited to consider whether some additional agencies should be included to ensure an

¹ RPR Consulting. *I'm looking at the future – Evaluation of the Reconnect* (Commonwealth of Australia, 2003)

even coverage based on size and geography. Importantly, the unique role of CSAG as a body representing service providers should be maintained, with consumer consultation kept separate.

Recommendations

1. Strengthen the role of the CSAG and ensure that it provides opportunity for the sector to communicate directly with senior public servants and Ministers with authority to make decisions based on the advice given.
2. Introduce and resource national Program-level Good Practice Forums to engage with CSOs to share innovation, good practice, and sector consultation.
3. Empower the existing CSAG membership to review whether a broader cross-section of CSOs should be included in the group.

2. Providing grants that reflect the real cost of delivering quality services

Numerous recent reports, such as the Australian Council of Social Services *At the Precipice* report, have found that demand for community services is skyrocketing.² The Issues Paper recognises that current government grants rarely cover the real cost of delivering the contracted services (p. 7). This is a welcome recognition that current funding arrangements are insufficient. High inflation, the 5.75% wage increase that followed the 2022-23 Annual Wage Review, and the 0.5% increase to the superannuation guarantee, mean that the gap between grant funds and the cost of delivery is at an all-time high. Recently, the homelessness sector and the Australian Services Union had to fight for the Commonwealth to reinstate the Equal Remuneration Order component of homelessness funding in the joint Federal-State programs under the National Housing and Homelessness Agreement.³ While ultimately successful, this threatened the viability of services, and generated enormous stress. Had this funding not been secured, it would have been a disaster for the programs. The Commonwealth has provided supplementary funding for Commonwealth-funded programs last year and this financial year over and above the annual indexation but not for the joint Commonwealth-State programs. This has led to reductions in services, reductions in geographical coverage, reduced quality of services, and cuts to services such as after-hours on-call services.

We need a thorough reform of funding frameworks across Commonwealth and joint Commonwealth-State/Territory programs to ensure that grants cover the full cost of service delivery. To address this, the following issues need to be considered in the formulation of grants:

- Workforce
- Indirect costs
- Adequate indexation that reflects CPI inflation, superannuation and wage increases
- Capital funding
- Climate risk

In addition, we address below some of the other key funding-related issues that must be addressed including compliance, the role of philanthropy, growing insurance costs, and onerous data and reporting requirements.

Workforce

Retention and recruitment in the community services sector is currently extremely challenging, in part due to record-low unemployment. Inadequate funding and low wages mean that we are starting to struggle to attract and retain new staff. An overhaul of funding arrangements is necessary to ensure CSOs can hire and retain the best people. Funding agreements need to make provision for the cost of training new and continuing staff, particularly given that staff now often require qualifications. Most CSOs employ staff based on National Awards

² N Cortis and M Blaxland, “At the Precipice: Australia’s Community Sector Through the Cost-of-Living Crisis, Findings From the Australian Community Sector Survey” (Sydney: ACOSS, 2023), https://www.acoss.org.au/wp-content/uploads/2023/04/At-the-Precipice_ACSS-2023.pdf.

³ <https://homelessnessnsw.org.au/ero-homelessness-funding-saved/>

and as a result, wage costs are largely determined by the Fair Work Commission's Annual Wage Reviews. Funding formulas should be designed to ensure Commonwealth-funded programs and the Commonwealth-component of jointly funded programs are indexed automatically to reflect Annual Wage Review and superannuation increases. Another area where funding formulas are often deficient is in services where staff are required 24 hours. These services incur additional costs for penalty rates and supervision. Funding agreements need to recognise these additional costs and bake them into the base funding.

We are concerned that the race to the bottom produced by the application of competition policy to the social services sector, has incentivised providers to pay the lowest possible wages. We know that wage theft and inappropriate classification of employees are a problem in the sector. Low wages, poor conditions, and insecure work impede professional development for sector workers and dissuade graduates from choosing a career in the community sector. DSS needs to work with the Australian Services Union to implement minimum labour standards across all Commonwealth contracting and procurement processes to eliminate unfair competition by unethical operators.

Indirect Costs

Another critical issue that needs to be resolved is the continuing failure to recognise the indirect costs of providing community services. When funding criteria place unrealistic caps on the amount CSOs can spend on indirect costs, we must dip into our reserves or turn to fundraising activities to cover basic administrative and compliance costs as well as information technology, staff training, quality improvement, research and evaluation, and marketing. A recent report by Social Ventures Australia and the Centre for Social Impact found that the average indirect costs for not-for-profits was 33% of total costs.⁴ The authors also found that the common misconception that low levels of indirect costs are an indicator of efficiency was false. In fact, some evidence was found that higher levels of indirect costs were associated with higher levels of impact. Funding agreements rarely reflect this reality. One recent grant proposal we completed allowed for a maximum of 5% of the grant to be used towards indirect costs; similarly low caps are not uncommon. There needs to be an overhaul of Commonwealth grant policies to ensure all grants include realistic funding for the indirect costs incurred by CSOs.

Indexation

Indexation is one of the major funding issues for CSOs. The Issues Paper recognises that only 6% of community sector leaders perceive indexation arrangements to be adequate. Over a long period of time, the Commonwealth has failed to provide a fair and reasonable level of indexation for social services. Indexation needs to be provided at a level that covers the full cost of Annual Wage Review increases, changes to the Award, superannuation, and workers compensation insurance costs. This is crucial, as the wage component usually makes up approximately 70% to 80% of grants (this is often dependent on whether it's a 24-hour service, such as residential services, where wages would be about 80%, or where there is a significant client cost component). For the non-wage component, an adequate amount of indexation based on movement in the Consumer Price Index is also required.

We welcome recent changes to the indexation framework in the 2023-24 Federal Budget but believe that they are still insufficient. Furthermore, indexation rates are not disclosed to CSOs. This makes it very difficult to engage in forward-planning. We need faster, more efficient Departmental processes when it comes to calculating and paying indexation. It should not take months to determine the amount of indexation payable to the service provider. We need greater transparency so that CSOs know what rate of indexation will apply from the moment the Federal Budget is announced, as well as the amount of any supplementary funding etc. Transparent and prompt indexation calculations and payments would assist CSOs to plan and budget more effectively. Importantly, not-for-profits should be exempt from any efficiency dividends and productivity offsets applied to indexation calculations. We have witnessed some improvement in this area, with efficiency dividends removed from most programs three years ago. Nevertheless, it remains in place for some programs. We need a commitment from the Commonwealth that efficiency dividends will never be applied to community programs.

⁴ Social Ventures Australia and Centre for Social Impact, "Paying What It Takes: Funding Indirect Costs to Create Long-Term Impact" (Social Ventures Australia, 2022).

In an industry where wages are the primary cost, such offsets are simply funding cuts imposed by stealth. There should not be conflict between the Commonwealth, States, and Territories for the joint-funded programs with the Commonwealth paying its full share for these.

Capital

If funding for community services is to cover the full cost of service delivery, there needs to be a dedicated funding stream for capital development. Aside from wage costs, capital is one of the highest cost areas for CSOs. For housing and homelessness services, capital infrastructure is essential to delivering services. When community services first received block funding from state and Federal governments, a capital funding program was administered side-by-side with the homelessness program. In the current environment, capital funding is only ever available through one-off schemes and programs. These are costly to apply for, require shovel-ready projects (and do not cover the costs of development approval and design), and frequently appear and disappear, meaning that CSOs cannot plan. Furthermore, most of these one-off capital grants require significant co-contributions from the applicant. This prevents small and medium-sized organisations from applying for funding. Because capital helps create sustainability for organisations, the need for unrealistic co-contributions leads directly to a reduction in the diversity of the community sector.

Climate Risk

CSOs across Australia are on the frontlines of the growing climate emergency, with the frequency and severity of natural disasters increasing. Following the Black Summer bushfires, for example, our Services in Shoalhaven and Southern NSW responded to increased demand for housing and services. Given the outlook for significant increase in fire and flood in particular, the government should apply a disaster premium to new funding agreements that CSOs can draw on when they are inevitably called on to respond.

Compliance and Accreditation

One of the growing costs faced by CSOs is compliance with multiple overlapping accreditation regimes taking up more and more time and organisational resources. The Commonwealth should lead a root-and-branch review of accreditation regimes to increase efficiency. SYFS operates a range of services meaning we must meet the requirements of the Australian Service Excellence Standards, Office of the Children's Guardian (NSW), and the National Regulatory System for Community Housing, among others. National Cabinet could examine these accreditation systems where they operate across jurisdictions and develop a modular accreditation regime that reduces duplication and overlaps between them. CSOs could then complete a basic accreditation and 'add-on' relevant modules depending on the services offered. Accreditation would also be made more useful if it were accepted as a pre-qualification for grant applications. Currently, even accredited CSOs are often required produce information included in the accreditation again and again at multiple stages for grant applications, reporting, and accreditation cycles.

Insurance

The increasing cost of insurance presents a serious problem for CSOs. Some types of insurance, such as insurance related to sexual abuse, is currently becoming almost unavailable in the Australian market or is only available at tremendous cost and with restrictions. Other forms of insurance, such as storm damage insurance, are extremely expensive. Excess payments are also high and increasing, as are insurance costs related to workers compensation. We need the Government to intervene to ensure community services can access insurance and that funding matches the cost of this insurance. One model would be for the Commonwealth to underwrite the cost of CSOs taking out this insurance. The private market cannot really deliver this any longer and funders are not keeping pace with the funds required.

Philanthropy

We note the Issues Paper raises philanthropy and the Productivity Commission's review of philanthropy within the context of funding for CSOs. Philanthropic contributions are an important source of supplementary funds for CSOs. However, we do not support the idea of philanthropy as a solution to difficult social problems that are positioned as beyond the capacity of government funding models. Securing philanthropic funds depends largely on the capacity of CSOs to market themselves to a diverse set of donors and ultimately involves CSOs

competing with one another to demonstrate their merit over others. This benefits the larger, high-profile providers and is contrary to the goal of diversifying the sector. We believe that Governments have primary responsibility for ensuring there is sufficient funding for the CSOs to provide essential services that support disadvantaged people and communities.

Data Collection and Red Tape

One way to contain costs for CSOs is to reduce the ever-expanding demand to collect more and more data. We currently collect outcomes data across all 47 services in our Organisation. Our data collection system includes common items as well as some that are specific to the outcomes of service provided. The Organisation additionally collects data using the DSS Data Exchange (DEX) system, the NSW Client Information Management tool (CIMS), and pre-school census data. While high-quality data is important for program evaluation, data collection takes time and can divert organisational resources away from providing direct care. The Commonwealth should establish a meaningful minimum data set for use across the community services sector, reducing the need for multiple overlapping data collection systems. This should not include meaningless input data, such as the number of sessions, which is a required input in DEX, and focus instead on outcomes.

The data set should be sufficient for CSO reporting requirements and not need to be supplemented by the development of annual service plans and reports against these, the compilation of extensive client surveys in addition to mandatory data collections, and other administrative and reporting requirements. There is a growing tendency for government departments to require more and more unnecessary reporting, such as providing financial audits multiple times. A review of existing reporting requirements could lead to a streamlining of what is required, so that CSOs can submit a single set of meaningful reports. Instead, we have witnessed a significant increase, rather than a reduction in red tape for services reporting and increased micromanagement by government, contrary to the stated intention of moving towards outcomes measurement. This leads to significant cost increases for CSOs.

Recommendations

1. Guarantee necessary funding for pay decisions made by the Fair Work Commission and other non-negotiable costs such as superannuation increases affecting the community sector.
2. Include funding for indirect costs in all Commonwealth grants and programs.
3. Apply equitable and transparent indexation to all grants and contracts for community sector organisations, that reflects the actual increase in costs incurred by funded organisations. Ensure providers are notified in a timely manner and rates are published annually.
4. Provide a stable, ongoing capital funding program accessible to CSOs that does not require onerous co-contributions.
5. Build in a premium for climate risk related to bushfire and flood in all relevant grants and programs.
6. Conduct a review of accreditation and compliance regimes applicable to the community sector and establish a simplified, modular accreditation system to reduce duplication and compliance costs.
7. Conduct a review of insurance issues in the community sector and establish a funding mechanism to ensure all CSOs can access insurance at a reasonable cost.
8. Streamline data collection and reporting requirements to reduce duplication and complexity.

3. Providing longer grant agreement terms

Increasing the length of funding agreements and grant terms would improve the long-term viability of the community sector. We welcome attention to this issue in the Issues Paper. Short-term funding fuels casualization, and churn in the workforce; incentivising poor labour standards. Funding arrangements should be stable and long-term, but flexible enough to allow agencies to innovate and move funds across line items as necessary.

The Issues Paper contains some concerning statements that are not based on sector experience. Some program designs may suit shorter-term funding arrangements, including one-off capital grants, and equipment purchases. However, for most programs that provide social support services, short-term funding simply undermines the

community sector's long-term viability. Where short-term funding is proposed, CSOs and peak organisations should be consulted for advice on program design in the early stages. Often a different design might lead to a more stable, long-term program that can foster sector development and innovation. Stable, long-term funding arrangements and increased funding levels could still be designed with enough flexibility for CSOs to implement short-term, targeted programs. The idea that short-term funding promotes innovation is a myth that has now, after several decades experience, proven to be false. Concerns that longer-term grants will reduce competition and innovation are exaggerated. Existing CSOs can innovate, when given adequate funding and support to do so. Competition policy was supposed to increase efficiency and innovation within the sector but it has been a complete failure. It has resulted in a race to the bottom on price, starved the sector of the funding needed to facilitate innovative responses to social problems, and destroyed trust within the sector and between the sector and government. Recognising the failure of competition policy must be at the heart of any drive for a stronger, more diverse and independent community sector.

Recommendation

1. Provide longer grant terms of at least 7 years for most Commonwealth and joint Commonwealth-State/Territory programs.
2. A Year prior to the end of agreement data analysis, review and consultation should lead to a number of programs being able to be rolled over without unnecessary, arduous re-funding processes.
3. Provide adequate notice of new grant opportunities and grant renewals so that CSOs can prepare comprehensive applications.
4. Give CSOs flexibility to determine how grant funds are spent, using existing compliance regimes and outcomes data to monitor performance rather than invasive and frequent reporting.

4. Ensuring grant funding flows to a greater diversity of CSO's

The introduction of competition policy to the community sector has, over time, led to a reduction in sector diversity. To ensure that smaller and medium size CSOs remain viable, the government needs to move away from competition, particularly competition on price, as a means of commissioning services. Smaller and medium-sized CSOs need support to participate in large grant funding rounds on a level playing field with larger organisations.

Another important way the Government could support sector diversity would be to provide stable capital funding programs accessible to those agencies that need it, as discussed above. Small and medium-size CSOs rarely have the capital reserves or access to sufficient philanthropic funds to build and maintain capital assets so providing a predictable funding program for them would enhance their long-term viability.

Building greater workforce protection into commissioning processes would also benefit diversity in the community sector. Under current arrangements, larger CSOs are incentivized to compete on price and can use economies of scale to undercut small and medium-sized CSOs. We know that many social services staff are not receiving their full entitlements under existing Awards. Inadequate and short-term funding fuel these problems. The Commonwealth could address this issue by enforcing compliance with good labour standards in all Commonwealth-funded programs.

Community sector diversity is particularly important in addressing the growing gaps in service provision in rural and regional areas. We would like to see a greater emphasis on funding agencies negotiating directly with organisations that already have strong links in the community in regional areas. It is very difficult to build up services in regional areas. For example, SYFS has spent many years developing youth homelessness, related services and residential out-of-home care services in Goulburn and surrounding areas. This has required long-term trust-building with community members, and other organisations. The results have been positive, but these regional service ecosystems remain fragile. Crude approaches to commissioning and competitive tendering fail to foster these ecosystems, by promoting competition over scarce funds. This leaves small and medium-size CSOs vulnerable to larger players, who can compete on price but struggle to deliver the services needed by regional communities due to their lack of knowledgeable local staff and existing relationships in the community.

The Issues Paper foreshadows the greater use of partnership and consortium arrangements. Our experience is that partnerships can be cumbersome, cost money, and be uneconomical in terms of the time it takes to negotiate and deliver. There may be circumstances in which partnerships and consortia work for some CSOs but they are not universally suitable. For smaller CSOs, there is always a danger that the interests of the smaller organization will come second to those of the larger partner. Under no circumstances should CSOs be compelled through the structure of funding agreements or other means to engage in partnerships and consortia to be eligible for government funding.

To be successful, partnership arrangements require significant trust among CSOs and between CSOs and government. The grounds for building this trust have been undermined by competition policy (specifically competitive tendering) and short-term funding agreements. Unfortunately, the Issues Paper equivocates on this failed policy, suggesting that ‘efforts to build a fair and competitive market of organisations in the community service sector’ (p. 26) can address shrinking diversity across the sector. It is failed policies to develop competitive markets in the social services sector through competitive tendering that led to decreased diversity in the sector in the first place. It is important to ensure that private sector competition is not permitted to further undermine community sector diversity. Mark Considine’s recent book on the impact of competition policy on the social services in Australia demonstrates conclusively the way competition with the private sector has undermined the not-for-profit and public sectors in employment services, vocational education and training, aged care, and childcare, with worrying signs emerging from the NDIS as well.⁵ There are some concerning signs in the Issues Paper that the Government is considering further measures that amount to privatisation-by-stealth, such as the social investment and outcomes-based funding schemes discussed in the next section.

It is disappointing to read in the Issues Paper more hollow calls for organisations to ‘diversify their funding sources’. There is no realistic alternative to base funding to the community sector from the Commonwealth and States and Territories. It is the responsibility of government to ensure that social services are available to the community, and it is governments that have the legal authority to levy sufficient taxation to pay for them. Direct funding is the most efficient, fair, and sustainable funding model for providing basic services through the community sector. Philanthropy and self-funding should serve as adjuncts to this, not as a replacement.

We support the notion of ring-fencing grants for specific, identified sectors such as CSOs working in regional and rural areas, those working with young people, and Aboriginal Community-Controlled Organisations. Government departments are in the best position to undertake an assessment of where the specific needs are, whether they be by geography, age, or other category, and design grant rounds with ring-fenced funding for each sector. This would be an effective way of ensuring diversity.

Recommendations

1. Abandon failed competition policies to rebuild trust between government and the community sector.
2. Government policy should not compel CSOs to form partnerships and consortia to be eligible for government programs.
3. Provide ring-fenced grant funding for identified sectors to ensure CSOs in regional and rural areas and those who work with defined groups can access government funding.

5. Partnering with trusted community organisations with strong local links

DSS has a few initiatives aimed at different forms of funding to strengthen local service delivery, including place-based initiatives, usually targeting areas of entrenched disadvantage, and outcomes-based funding models. In our experience there are a range of issues and problems with these funding models.

⁵ Mark Considine, *The Careless State: Reforming Australia’s Social Services* (Carlton: Melbourne University Press, 2022).

SYFS has been involved in place-based initiatives and currently participate in the Communities for Children Facilitating Partners Program. Our experience is that these funding models add an additional layer of accountability and thus are more expensive, and less transparent and accountable in the selection of funded programs. In some cases, funds are managed by well-intentioned community bodies with little expertise in managing/funding services and little understanding of the CSO ecosystem's strengths and gaps. It is more cost-effective for the Commonwealth, States, and Territories to act as the funder rather than outsourcing programs. Strengthening public service capacity, with greater investment in recruiting and training staff who can administer programs in regional areas sensitively, would be a better long-term approach to improving local service ecosystems than outsourcing this function through place-based funding models.

The Issues Paper also suggests the possible use of outcomes-based funding models. We collect outcome measurement data based on the aims of each of our funding/grant agreements. We are committed to delivering outcomes for the people we provide services for. However, defining, measuring, and achieving outcomes is not straightforward and the implications for funded services need to be considered. We are opposed to any move towards implementing outcomes-based funding in the community services sector. Factors outside the control of CSOs can have a strong influence on the outcomes achieved. Equally important are participants' perspective on what has been achieved and the actual difference involvement with a CSO has made to their lives.⁶ The CSAG and many other bodies have discussed, considered, and consulted on this for a long time with a clear rejection of this funding system. We support understanding outcomes and measuring them where possible, but not as the basis of the funding system. It will create many unintended negative results.

Outcomes-based funding can act as a perverse incentive, with the way an outcome is defined determining what will be achieved, as this is what will attract funding. These models often include a range of interim outcomes that may need to be achieved along the way to achieving an 'ultimate' outcome. When these are considered at all, they attract lesser payments. Outcomes-based funding has a high risk of incentivizing CSOs, especially in areas of high demand for services/support, to take on those people who they assess have greater chance of achieving the 'ultimate' outcome. It has been our experience that employment services, funded based on achieving employment outcomes, fail to deliver appropriate support to our young people as the funding model rewards any employment outcome more highly than an education/training outcome; even when access and participation in further education and/or training would help a young person to achieve a more solid, secure, and fulfilling employment outcome in the long term. While place-based funding and outcomes-based payments are current buzzwords, new does not mean better. Innovation can be fostered instead by providing adequate, stable funding, and developing relationships between government and providers in each regional area. Rather than re-inventing the wheel, we would like to see reform focused on strengthening the already fragile community sector, rather than subjecting it to still more poorly considered changes and new models.

Social investment schemes are not a panacea for stretched Federal Budgets and social services are not an appropriate place to promote novel forms of speculative investment. At their most basic level, social investment schemes are a sophisticated means of allowing investors to extract rents from government by lending money to the community sector to deliver social services. A much more straightforward and equitable way to fund these services is for the Commonwealth to use its existing powers to tax wealth. This would both offset the danger posed to society by growing wealth inequality, and provide adequate funding to meet community expectations.

The Stage Three tax cuts, due to come into effect next year, will make Australia's income tax regime less progressive, and cost the Budget \$320 billion in the first ten years. 72 per cent of the benefit of these tax cuts will go to the richest 20 per cent of taxpayers. This outcome undermines equality and makes the government's task of funding essential social services even more difficult. The Australia Institute has closely examined these cuts, proposing a modified approach to the Stage Three cuts that would address the problem of bracket creep while ensuring adequate revenue for social program.⁷ Rather than funding unnecessary tax cuts for the already

⁶ Brenton Prosser, "Any Shift to Outcomes based Funding for Social Services Must Proceed in Partnership" (Catholic Services Australia, 2018).

⁷ Matt Grudnoff and Greg Jericho, "A Better Stage 3: Fairer Tax Cuts for More Australians" (Australia Institute, October 2023), <https://australiainstitute.org.au/wp-content/uploads/2023/10/Stage-3-Better-Fairer-Tax-Cuts-For-More-Australians.pdf>

wealthy and asking CSOs to turn to wealthy philanthropists and investment schemes for funding, cancelling, or modifying these tax cuts could provide a significant boost to social services. This would also provide revenue to enable the Federal Government to lift people on income support out of poverty by raising the rate of jobseeker and other income support payments as has been called for by the Australian Council of Social Services.⁸


Recommendations

1. Strengthen the Australian Public Service and its understanding of regional service ecosystems rather than outsourcing funding through ‘place-based’ initiatives.
2. Cancel or modify the Stage 3 Tax Cuts to increase revenue to pay for vital social services.

Thank you again for the opportunity to contribute to this important conversation about the future of the community sector.

Yours faithfully,

A large black rectangular redaction box covering the signature of the Chief Executive Officer.


Chief Executive Officer

⁸ <https://www.raisetherate.org.au/>