

## Organisation name

Meals on Wheels SA

### 1.1 What would a partnership between CSOs and the government that achieves outcomes for Australians being supported by the community sector look like?

A constructive partnership would recognise that:

- CSOs and government are partners in addressing specific social problems.
- CSOs exist to serve a social mission, that is, to reduce the impact of social disadvantage or improve the well being of beneficiaries. Government grant funding is one revenue source to assist in achieving the social purpose, not the primary reason for the existence of a CSO.
- the mission of CSOs rarely fits neatly into programmatic definitions within which grants operate, meaning that the social and economic policy interests of CSOs will span multiple government departments.

Meals on Wheels SA receives grant funding through the Department of Social Services' Grant Connect for operating and one-off purposes. The primary source of grant funding is the Commonwealth Home Support Program (CHSP), with operating funding also received from Home Care Package Providers, the NDIS and state government. Occasional specific purpose grants have been won via the Volunteer Grants, state and local government funding rounds, alongside research partnership grants from philanthropic trusts and ARC.

We have observed a propensity for the federal government agencies to define or pigeon-hole providers based on the source of the largest grant funding stream, in our case the CHSP. We do not limit our scope to the limits of the grant program. Our policy interests include regional and rural Australia, health, disability, volunteerism, industrial relations, trade/commerce, philanthropy, charities and non-profits and vocational education. Yet the narrow descriptions of specified grant programs produce a piecemeal engagement with government rather than a wholistic engagement approach.

The options canvassed in the issues paper have merit, particularly embedding collaborative methods and co-design in the grant lifecycle, and improving linkages across government and funding partners to streamline reporting imposts.

### 2.1 What would adequate and flexible funding look like?

Adequate funding would recognise the full and true cost of service operations. Grant funding does not keep pace with either inflation or new cost imposts. While it is unrealistic to envisage a nation where everyone in need has access to sufficient, effective and efficient services, adequate funding would support both those who have the greatest need, and those who could benefit most, with access to necessary support.

Flexible funding would enable a CSO to distribute funding within our operations or service to where it is most needed. Meals on Wheels SA delivers services in local communities, in most parts of South Australia. Within the CHSP, we operate in 11 funding regions. While we are funded for a notional number of outputs in each region, we operate on an aggregate basis. In practice, we deliver services based on need (demand), wherever the need occurs. The flexibility provisions permitted within the CHSP since early 2020 have formalised this practice and enabled appropriate flexibility across the target population.

Flexible funding also enables varying the intensity of services in response to changes in individuals' needs. Grant funding has been particularly flexible and effective at supporting fluctuations in individual need. It is pleasing that the design of the Support at Home Program has recognised the need for flexibility at the individual service user level, while avoiding locking funds into a specific population response (geographic, cultural or other) where funds cannot shift as population demand shifts.

### 2.2 What administrative and overhead costs are not being considered in current grant funding?

There is no underlying unit pricing formula within the CHSP and it is difficult to pinpoint line expense items that are not adequately considered. Funding levels are based on historic actuals that have not kept pace with current expenditure.

In our experience, current grant funding does not adequately consider:

- requirements to pay commercial leases where peppercorn arrangements had been the norm;
- cost of procuring, installing, calibrating, maintaining and replacing capital equipment including refrigeration equipment and commercial cooking appliances;
- the additional employee hours required to integrate new contractual, regulatory or legal compliance obligations (including obligations under state regulation), particularly where duties are new or can no longer reasonably be undertaken by volunteers
- the increasing complexity of consumers, e.g. allergies, cognition, swallowing difficulty, other dietary needs
- the variation in operating costs depending on location of service delivery or thin markets.

We observe that long-term operating grants do not consider the costs of social impact management or

measurement, or other forms of evaluation. "Innovation" is expected to occur within the historic funding envelope, with rare and occasional specific funding rounds to generate innovative service models and approaches.

### **2.3 How are rising operational costs impacting the delivery of community services?**

Meals on Wheels SA experienced cost increases from July 2019 to June 2022 as follows:

- ingredients and consumables up 3.6%
- employee expenses up 44.6%,
- other operating expenses up 34.4% and
- central and branch office expenses up 37.3%.

Grant-funded service activity increased a mere 1.6% in the same period.

Specific expense increases have included insurance (25%), volunteer driver fuel allowances (11%), cleaning and sanitisation (86%), repairs & maintenance (65%), postage & freight (72%).

Meals on Wheels SA relies on consumer contributions, fundraising and investment income to cover the majority of its operating costs. Grant income has comprised less than 40% of income. The Board has decided to absorb some of the cost pressures by using a proportion of capital reserves, limiting consumer price increases to less than 5% per annum. This recognises that our customers are on fixed incomes, who routinely reduce the level of service below their assessed need in order to pay their bills. In calendar year 2023, we have noted an increase in the number of direct debit transactions that fail due to insufficient funds in the bank account, and we have had a higher level of bad debt.

### **2.4 What have been your experiences with and reflections on the supplementation and change to indexation?**

We are aware that there has been a recent improvement in the amount of indexation applied to our CHSP operating grant. Unfortunately, these have been announced too late to assist in budget planning and decision-making on consumer fees or staffing levels.

We have successfully negotiated for retention of our existing level of CHSP grant funding, with a lower amount of agreed meal service outputs. The 'new' level of output is the same as our actual outputs over the past 2 years, which reflects actual need and demand (we do not have waiting lists for services and do not decline referrals). As this resulted in a more generous unit price, we were required to supply evidence of increased cost of service delivery, which we supplied. We are aware that smaller, less sophisticated service providers have found this process challenging and confounding.

### **2.5 How can CSOs and the department work together to determine where funds are needed most to ensure equitable and responsive distribution of funds?**

Through the Data Exchange, the department has visibility of actual service use vs assumed service activity (grant funding output targets). This is a lag measure. If the full amount of funding was required to deliver a smaller number of outputs, there are no unspent funds to recover.

Grant funding has been criticised as a funding mechanism within community aged care, with market-based approaches much in favour:

- It locks funds in with specific providers in specific geographic areas and is not flexible to follow shifts in client demand or need;
- It is hard to get an increase in funding when demand grows;
- It doesn't address underfunding or disparities within or across jurisdictions, as illustrated in the Deloitte report on CHSP funding
- It is believed to limit the consumer's ability to choose their provider, because of historic policy settings about no duplication of services and ensuring that the maximum number of people receive a basic level of benefit;
- It may create opacity for the consumer regarding expenditure on their care needs, thus the policy preference for activity based or fully fee for service funding.

Meals on Wheels SA, and some fellow meal and other service peak bodies, consider a mixed model of funding suitable for a middle ground solution, where the fixed cost component (capacity) is grant-funded and the variable component is based on activity. This is similar to funding mechanisms used in health and education. It provides funding certainty and a social safety net via the grant component, and flexibility for funds to follow demand via the activity-based component. Such a model has been proposed by the Support at Home Alliance, following the principles of the AN-ACC funding model for residential aged care. In this proposal, there could be an annual adjustment to the grant-funded component where demand for services was materially higher or lower than forecast.

### **3.1 What length grants are CSOs seeking to provide certainty and stability for ongoing service delivery?**

Operating grants of 5 years are desirable and should be a minimum of 3 years. The CHSP has been operating on the basis of 2 or 1 year extensions or variations since 2018-19 and this is unacceptable.

It is recognised and accepted that specific purpose grants (e.g. Volunteers Grants) should be expended within one year of approval.

There ought to be a mechanism to transition successful pilot/one off grants to ongoing programs.

### **3.2 What timeframes should the government aim for, at a minimum, to provide final outcomes on grant variations/extensions before the current grant ceases?**

As a provider, we have become accustomed to a very short (sometimes less than 4 week) notification period. On that basis, we operate on the assumption that agreements will continue. For continuance of an existing grant, where we are meeting all of our obligations, a minimum 3 month lead time is desirable. If there was an intent for government to significantly change the grant (cancel, reduce or significant increase in obligations) then a minimum 6 month notice period is preferred.

### **3.3 What funding flexibility do CSOs require to enable service delivery and innovation?**

Capacity for innovation needs to be included in grant funding envelopes and could be achieved via:

- a margin on 'efficient' operating costs to enable investment in innovation (with a reporting obligation to demonstrate effectiveness of the investment);
- separate, focussed innovation grant funding rounds to support specific pilot programs, including costs of evaluation;
- access to supplementary/bonus funding on demonstrating innovation - an inherent incentive for doing more with the same level of funding, assessing and improving impact.

### **3.4 What flexibility is required by CSOs in acquittal processes to support and encourage sector innovation?**

Opportunity to insert social impact measurement results without tying the results to a specific expenditure line (unless the funding was a specific pilot project grant).

### **3.5 How can government improve the variation process, with consideration that CSOs must demonstrate alignment with the grant agreement and provide evidence of value for money outcomes?**

The CHSP ad hoc funding process, and other variations, is structured for circumstances where a service will deliver more outputs at the same unit price as existing. That is, funding increases are tied to increased activity.

There needs to be a more streamlined process for organisations to demonstrate increasing cost of delivering the existing level of services, and acquit accordingly.

CHSP funding has not progressed from output reporting to outcome reporting, let alone impact reporting. The evidence base for specific service models does not appear to have featured heavily in consideration of grant variations - a focus on least cost, rather than effective cost, seems to have prevailed. It is encouraging that there appears to be some recent improvement in this approach.

### **4.1 How can the government ensure opportunities are available for new and emerging organisations to access funding?**

There is a polarity to manage in ensuring service continuity and access via established organisations, while enabling new entrants to access funding. The notion of competition between organisations operating with the same population to achieve the same outcomes, where there is little distinction in the nature or quality of services, is perplexing. However, established organisations must be accountable for outcomes and open to adapting practice in response to innovation or changing community needs.

Options available for government include:

- retention of a pool of funding available for new entrants;
- encouragement of sub-contracting, partnerships, alliances and consortia;
- incentivising innovation generally.

Government could consider embedding social procurement principles within large funding programs/agreements - this would amplify the social value of programs by extending benefits to social enterprises and other entities with a social benefit basis, without directly funding those entities.

### **4.3 How could larger CSOs support smaller CSOs? What are the barriers to providing this support?**

As a large CSO, we do not have capacity within our organisation to support smaller CSOs with research and development, shared services, training, products or other supports without receiving income for those services - either directly from the smaller CSO or from government.

Providing practical support will increase our employee complement and require investment in larger office spaces or systems.

There have been positive examples including CHSP Sector Support and Development Funding, where a larger organisation (often a peak body) receives funding to provide practical support to smaller organisations.

#### **5.1 What is your experience with and reflections on place-based funding approaches?**

The origins of our services, which pre-date any government funding programs, were very much place-based. Meal services were established by small, local groups of people who set about meeting a community need that enabled their neighbours to age safely in their homes.

We have observed that place-based initiatives become homogenised when uniform grant funding rules apply. Grant administration is simpler when government says "we pay \$x for this defined output meeting these standards in this location" and preferably to as few different providers as possible. We are most familiar with the CHSP and note that it has no mechanisms to consider or manage variation in costs of service delivery driven by bespoke approaches. We are aware of, but not intimately familiar with, the success of Multi Purpose Services as a mechanism for delivering integrated health and aged care services in small rural communities - as we understand it, these programs have a greater degree of flexibility because they operate outside the CHSP constructs.