Submission to the Department of Social Services regarding *A stronger, more diverse and independent community sector Issues Paper*

November 2023

About Mission Australia

Mission Australia is a national Christian charity that has been standing alongside Australians in need since 1859. We combat homelessness, provide housing, assist struggling families and children, address mental health issues, fight substance dependencies, support people with disability and much more. Together, we stand with Australians in need for as long as they need us. In 2022-23, we supported 149,000 people through 463 programs and services across several areas including homelessness, housing, strengthening communities, children and families, youth, employment and disability.

Introduction

Mission Australia welcomes the publication of the *A stronger, more diverse and independent community sector Issues Paper* and the opportunity to put a written response. We are a member of the Community Services Advisory Group (CSAG) and have appreciated the opportunities to raise issues relating to the content of this paper with the Department of Social Services (DSS) over several years.

Mission Australia is also a partner organisation in The Possibility Partnership and the Strengthening Communities Alliance, both of which have submitted responses to the *Issues Paper*. Our submission is aligned with the important principles outlined in those responses and we commend them to DSS for close consideration.

As a large national provider of services across a broad spectrum of policy and service delivery priorities, we are well-positioned to see some of the challenges, inconsistencies and lack of transparency in commissioning and funding processes across the Federal Government that we hope to see addressed in response to the *Issues Paper*.

We hope that the issues raised in our submission can contribute to whole-of-government improvements in grant funding processes, not limited to DSS but across all commissioning agencies.

Summary of recommendations

The Federal Government should:

Partnership arrangements

1. Commit to **systems change** work, including by creating 'connecting middles' between policy and practice, and by partnerships between all actors that reframe purpose, power, relationships, people and structures.
2. Reform **commissioning approaches** to enhance their efficiency and effectiveness, including through introducing co-commissioning practices with CSOs and people with living/lived experience.
3. Establish a **Civil Society Advisory Group** within the Department of Prime Minister and Cabinet, with membership comprising senior public servants from relevant agencies alongside representatives of the community sector and people with living/lived experience.
4. Include **explicit and adequate provision for data** collection, analysis and sharing activities in grant funding.
5. Lead a process including State/Territory governments and CSOs to **build data sharing** protocols, mechanisms and opportunities across government and non-government agencies.
6. Through the Australian Centre for Evaluation, work with CSOs as well as agencies to **build evaluation into program design** from the outset.
7. Work with CSOs, the AIHW and State/Territory governments to design and implement **consistent national minimum data sets** with outcomes and service data, to be coordinated across governments by service type.
8. Properly acknowledge and value expertise and capabilities by committing to appropriately **remunerate and resource community sector organisations and people with living/lived experience for their participation in consultation processes** and bodies.
9. Develop systems for keeping people who have been consulted **apprised of outcomes**, and of the rationale for policy decisions taken.

Cost of service delivery

10. **Fund the full cost of service delivery**, including infrastructure, management and administration costs, and appropriate indexation.
11. Actively **involve CSOs in determining the full cost** of service delivery to ensure arrangements are realistic, transparent and reflect evidence.
12. Review the **method by which it determines and applies indexation** to community services, to reflect labor and cost pressures more accurately for delivering government-funded services.
13. Schedule opportunities prior to the beginning and during the life of contracts for government and CSOs to **assess appropriate resource allocation**, including changing costs over time.
14. **Standardise reporting**, including costs, across programs and agencies.
15. Work collaboratively with service providers and service users to **improve the Data Exchange and SCORE**.

Duration of grant agreements

16. Increase the use of **long-term contracts** when commissioning and recommissioning services, to at least seven years for most programs and 10 years for place-based programs in communities with persistent and entrenched disadvantage or in remote Aboriginal and Torres Strait Islander communities.

17. Provide a minimum of **two years for any extensions** and issue official notice as soon as possible for contract renewals or retenders – at least six months before the end of the contract.

18. Adhere to standards set in contracts regarding contract duration and notice periods for extensions or re-tenders.

19. Consider a **graduated approach for audited acquittals** based on grant size.

Sector diversity

20. Include the provision of **support to smaller CSOs as an item in grant funding** agreements.

21. Require that **contracted CSOs of whatever size are capable of generating successful outcomes** for people in need.

Strong local links

22. **For place-based initiatives, introduce long-term (minimum 10-year) funding cycles**, with appropriate evaluation points along the way and with long-term commitments provided up front.

23. Introduce **co-commissioning processes for place-based and other programs** with a focus on reducing competitive tensions between community sector organisations.

24. Specifically **consult with Aboriginal and Torres Strait Islander people and organisations** on the issues raised in the *Issues Paper*.

25. Through the Department of Prime Minister and Cabinet, work with other agencies, CSOs and community groups to develop guidelines to support **commissioners to incorporate place- and community-focused principles into program designs**.

Community sector workforce

26. Specifically consider **workforce retention issues** in commissioning and recommissioning processes.

Area of focus 1: Giving the sector the voice and respect it deserves through a meaningful working partnership.

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 significant proportion of human services in Australia are outsourced by governments to the community sector. Despite this, there is little formal, centralised, ongoing conversation between the sector and government as partners in the provision of services and co-creators of the human services system. We suggest here three ways in which the community sector, alongside the people and communities who need and/or receive services, can be engaged as partners in the design, implementation, delivery and evaluation of human services:

- Driving systems change through building 'connecting middles' to link policy and practice through more meaningful partnerships across the range of actors;
- Reforming commissioning approaches to better draw on the expertise of Community Sector Organisations (CSOs) and communities; and
- Establishing a cross-government advisory group to embed a structural approach to: partnerships between CSOs and the Federal Government; systems change approaches; and the implementation of commissioning and other reforms emerging from this *Issues Paper* process.

Systems change: building 'connecting middles'

Our response in this section is based on a submission to the *Issues Paper* made by The Possibility Partnership, of which Mission Australia is a member.

The *Issues Paper* presents an opportunity to fundamentally rethink how engagement occurs between all players in the human services system, including the Federal Government, other governments, community sector organisations, researchers, place-based organisations and the individuals and families who we all seek to support.

Current practices tend to emphasise submissions and one-sided conversations. These favour direct participation by a relatively narrow range of stakeholders, principally professionals working in relatively large organisations which have the capacity and capability to engage in formal and abstract processes. To this extent, they tend to exclude both community members and place-based organisations which hold the local knowledge and expertise essential to building more effective programs, policies and systems.

In other words, current practices disfavour the type of partnership the *Issues Paper* itself acknowledges as desirable. Without fundamental system change work, current endemic structural problems will be perpetuated and, accordingly, patterns of entrenched disadvantage will not shift.

There is a fundamental disconnect between what happens "on the Ground" and what happens "in the Rules" which cannot be resolved through ad-hoc consultation.

This disconnect often means great results from local actors (place-based initiative members, community groups, service users, practitioners and frontline workers) are not absorbed into

business-as-usual design and practices at the point where policies, rules and guidelines are made. Similarly, policy innovations from actors at the Rules level (policy makers, program designers and guideline setters) aren't translated effectively into day-to-day local-level practice changes.

As a result, these two parts of the systems are unable to work and learn from each other to deliver better outcomes, innovation, and long-term change.

The opportunity we have before us is to connect what's happening on the Ground and what's happening at the Rules level in new ways. To convene people from Federal Government agencies, the community sector and others based on deep listening, co-producing solutions and driving action.
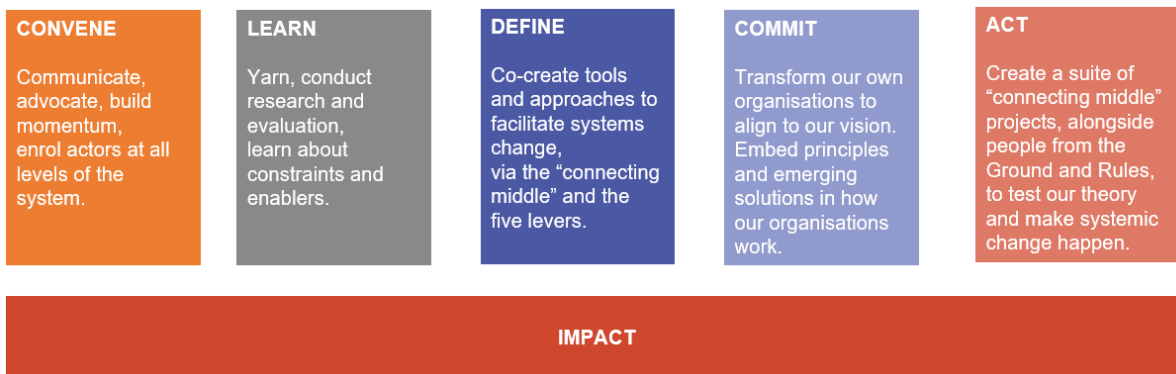
The results will be a suite of changes to mindsets, relationships, power dynamics, shared purposes and structures that harness what is already in the system to shape more effective policies, programs and solutions to entrenched disadvantage. We refer to this as "the connecting middle."
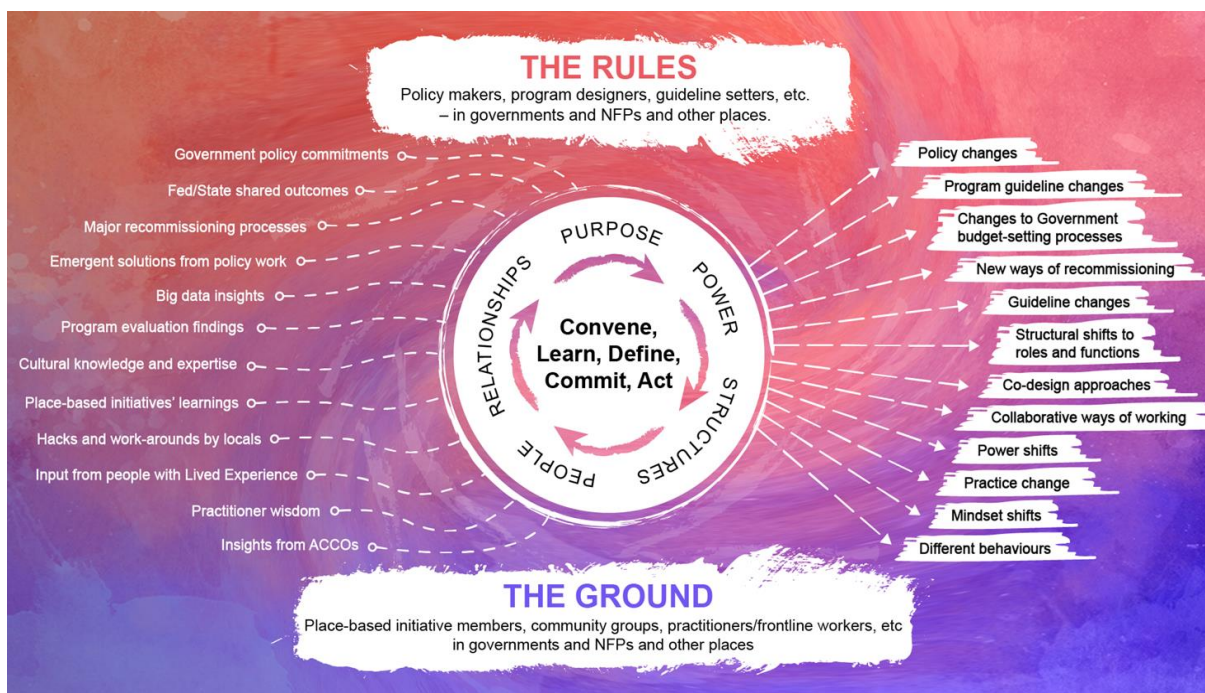
Drawing on previous research and consultations, our approach relies on a framework built around the following five levers to understand and change complex social systems.

Purpose	Power	People	Relationships	Structures
• a shared vision of how to improve well-being, build capability, enable people to live the lives they value • aspirational settings • a common understanding of the barriers to that.	• equitable collaboration • power-sharing and shifting • deep listening • true co-production or co-design • devolved decision-making • self-determination for First Nations people	• worldviews, mental models, mindsets, values, identities, assumptions • cultural healing and cultural safety • inter/trans-disciplinary ways of working • meaningful work and career pathways • learning & development	• partnerships • relational interactions • holistic engagement with communities • shared but clear accountabilities • redefined roles and responsibilities	• joined up service delivery • data sharing and democratisation • community-generated data, storytelling and narratives • space for experimentation and innovation • collaborative, long-term, outcome-focused commissioning • resource re-allocation

The Federal Government has an opportunity, through the *Issues Paper* process, to partner with the community services sector in a fundamentally different way. The Possibility Partnership is now progressing to action through a suite of place-based and project-based work, through the strategy below:

CONVENE	LEARN	DEFINE	COMMIT	ACT
Communicate, advocate, build momentum, enrol actors at all levels of the system.	Yarn, conduct research and evaluation, learn about constraints and enablers.	Co-create tools and approaches to facilitate systems change, via the "connecting middle" and the five levers.	Transform our own organisations to align to our vision. Embed principles and emerging solutions in how our organisations work.	Create a suite of "connecting middle" projects, alongside people from the Ground and Rules, to test our theory and make systemic change happen.

IMPACT

By adopting the approach outlined above, the Government has the opportunity to work with the sector to transform the human services system and intentionally drive a program of significant social change to make a real difference to the lives of people experiencing disadvantage.

Strategic commissioning approaches

Strategic reform of commissioning processes will be a key element of reforming partnership arrangements between the Government and CSOs. The current commissioning of services is neither efficient or effective, and at a minimum should include the following elements to enhance partnership arrangements and work towards better outcomes:

- Involving people and communities with living/lived experience, to improve program design and delivery and achieve First Nations self-determination goals.

- Outcomes-based contracts to incentivise performance on the basis of change achieved for clients, compared with other forms of contracting which measure administrative tasks and inputs.
- Aligning contract periods with the time taken to achieve the goal, to increase certainty about program achievements and stabilise the human services workforce (see **Section 3** for detail).
- A clear view on the evidence of what works, to drive better outcomes.
- Consolidation of contracts on a place and/or cohort and/or outcome area basis to reduce the current fragmentation of service provision, increase accountability and enable new ways of working.
- Procurement processes to encourage collaboration.
- Robust monitoring and evaluation to track progress and feed into continuous improvement.

A cross-government advisory group

Mission Australia supports the recommendation from ACOSS to establish a Civil Society Advisory Group within the Department of Prime Minister & Cabinet. The need for a cross-cutting Advisory Group stems from an absence of structural collaboration and engagement between the Government and the sector. This Advisory Group would embed a structural approach to:

- coordination of collaboration and engagement with the sector across Federal Government agencies, including DSS as a leading line agency;
- partnerships between CSOs and the Federal Government;
- systems change approaches, including as the driving mechanism for the creation of "connecting middles" as described above; and
- the design and implementation of commissioning reforms; and
- the development and roll out of other reforms emerging from this *Issues Paper* process.

Membership of the Advisory Group should include senior public servants from relevant portfolios including Treasury, its new Australian Centre for Evaluation and the Department of Finance, alongside representatives from the community sector and service users/people with living/lived experience/community members. The Advisory Group would improve coordination on policy development and reduce consultation fatigue. It would ensure that the sector's expertise and advice is suitably engaged on all key public policy matters.

Underneath this proposal, existing community sector advisory groups associated with specific departments or subject areas (such as the CSAG) could continue operations so long as they have clear and specific terms of reference and an identifiable value, within an overarching framework provided by the Civil Society Advisory Group.

Recommendations

The Federal Government should:

1. Commit to **systems change** work, including by creating 'connecting middles' between policy and practice, and by partnerships between all actors that reframe purpose, power, relationships, people and structures.

2. Reform **commissioning approaches** to enhance their efficiency and effectiveness, including through introducing co-commissioning practices with CSOs and people with living/lived experience.
3. Establish a **Civil Society Advisory Group** within the Department of Prime Minister and Cabinet, with membership comprising senior public servants from relevant agencies alongside representatives of the community sector and people with living/lived experience.

1.2   How can CSOs and government streamline the sharing of information, particularly through utilising technology to effectively engage, distribute, share, influence and inform in a timely and efficient manner?

Machinery of communication with the sector

Currently, service providers contracted through DSS are able to share views and shape policies through Engage, access grant information through GrantConnect, and manage grants through the Grant Recipient portal. These technological solutions are valuable and appreciated, as they effectively streamline information sharing at an operational level. They could continue to be further developed and applied across the whole of Government.

Collecting, analysing and sharing information for research purposes

Adequate grant funding contributions

The measurement of outcomes and impact is critical, but it takes specialised knowledge and skills, funding and resources (including technology), and time to do it effectively. We are rapidly moving to a future where this work is rightly better valued, and so is increasingly required by funders (including government) to ever more sophisticated levels. While this is the right direction, its potential cannot be realised and there will be unintended consequences unless there is adequate support to increase sector capacity and capability.

Mission Australia has made a significant investment in this work through our Centre for Evidence and Insights. Formed in April 2021, the Centre is tasked 'to inspire curiosity for evidence that leads to learning and action to increase the impact and effectiveness of Mission Australia's work and our organisation'.

We recognise that we are fortunate as a large organisation to have resources to invest in this manner. Not all CSOs have this capacity. While data collection, analysis and sharing remain not explicitly funded through grants and grant levels are inadequate to enable it, many CSOs - especially smaller, locally-based and Aboriginal-controlled organisations - must respond in one of two ways:

- fail to properly implement outcomes-based and data-driven practice, leading to poorer quality service delivery to people in need, risking their ability to meet contractual requirements, excluding them from tenders and ultimately threatening their viability; or
- divert resources to outcomes measurement at the expense of other activities such as staff ratios, training, best practice initiatives or innovation – again leading to poorer quality service delivery to people in need.

It should be a priority of commissioning agencies to understand the work involved in outcomes measurement, data-driven practice and evaluation, to minimise the administrative burden it can generate, and to commit to resourcing it adequately.

Program design will be improved if it has been co-designed with practitioners and service users and has incorporated the following in the contract: clear outcome measures; data collection and reporting requirements; and evaluation expectations built around the outcomes and a theory of change or program logic. As Assistant Minister Leigh[1] notes, many evaluations fall short 'if they are commissioned to produce evaluations late in the process when there is insufficient planning and data available.' He further notes that the Australian Centre for Evaluation (ACE) will 'be working with government agencies to strengthen evaluation planning, … [to] ensure that evaluation is considered at all stages of policy and not seen as an afterthought.' We strongly support ACE's intended role in working with commissioning agencies to build evaluation into program design, implementation planning and subsequent improvement cycles, but argue that needs to be undertaken in collaboration with CSOs, their frontline practitioners and service users/people with living/lived experience.

Collaboration: Sharing across governments and CSOs will enhance insights

Every day, immense quantities of client-related data are collected and stored by CSOs in Australia. Generally, each NGO collects and stores its own data in silos and undertakes data analysis in isolation from the others.

Similarly, government bodies collect, receive and store data on people in need (many of whom are also CSOs' clients) and on the services they fund. This includes data collected through, for example, the Census, Centrelink, the Australian Taxation Office, public housing bodies, corrections facilities, and so on.

However, this does not have to be the final resting place for data of this nature. With careful planning and controls, it is possible that CSOs' and governments' rich and nuanced information can be shared, extending its lifetime, utility and ultimately impact.

We need to promote, celebrate and incentivise learning between us – with each other, with the people we serve, with our funders. Several forums are now in operation between CSOs which aim to share our experience of trying to use data better and to develop learning cultures. Open-source data, more extensive data linkage opportunities and white labelling all need to be considered as options.

Sharing data – between CSOs, government agencies, philanthropists, regulators and academics – has the potential to generate opportunities for better accountability, learning, policy and program design and delivery, more effective use of taxpayer funds and, most important, better outcomes for people and communities experiencing disadvantage.

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[1] The Hon Dr Andrew Leigh MP. 2023. Address to National Press Club, Canberra. Evaluating policy impact: working out what works. 29 August 2023.

Significant benefits could be garnered by creating agreement on consistent, stable minimum data sets with outcomes and service data that is coordinated across federal and state governments by service type (e.g. similar to the Specialist Homelessness Services Collection managed by the AIHW).

The main barrier to effective outcomes measurement in Australia is that various federal and state/territory government commissioning agencies and mandated information agencies (e.g. AIHW) have different minimum data collections (for client, service and outcomes data), or continually modify the data collection requirements.

> **Case study:** In Mission Australia's alcohol and other drug (AOD) services across three states (NSW, SA, WA), only half of the required data fields are the same for all services. Even for those of our AOD services funded by Public Health Networks (PHNs), the reporting outcomes are not standardised across the different PHNs. For example, SA services must collect data on 20 additional questions, while WA services must collect data on 40 different additional questions. Our services must report to their respective funders (for example NSW Health, WA Primary Health Alliance, various PHNs), then each of the different funders removes all the additional data, and sends a subset to the AIHW (the national minimum data set standard for AOD services).

This environment complicates the learning and improvement process at the service and practice level for similar services with different funders. It leaves CSOs spending an inordinate about of time and money changing systems, processes and training materials to keep up with funder requirements. Further, because the data sets are different, this inconsistency hinders any learning from the data about what's working and why.

Recommendations
The Federal Government should:

4. Include **explicit and adequate provision for data** collection, analysis and sharing activities in grant funding.
5. Lead a process including State/Territory governments and CSOs to **build data sharing** protocols, mechanisms and opportunities across government and non-government agencies.
6. Through the Australian Centre for Evaluation, work with CSOs as well as agencies to **build evaluation into program design** from the outset.
7. Work with CSOs, the AIHW and State/Territory governments to design and implement **consistent national minimum data sets** with outcomes and service data, to be coordinated across governments by service type.

1.3 How can government ensure the community sector, including service users and those not able to access services, have an opportunity to contribute to program design without imposing significant burdens?

At present, the community sector, people with living/lived experience and First Nations organisations are being consulted on a number of policy processes. While this is welcome, the

expectations of participation can place a heavy burden on respondents, particularly from: people with living/lived experience; peak organisations; CSOs which are smaller, locally-based or Aboriginal-controlled; and organisations with a broad service delivery remit.

We encourage the government to continue consulting with community sector organisations and people with living/lived experience, but to acknowledge the time and expertise contributed with appropriate remuneration and resourcing. This can include compensation for travel or help with other logistical support for in-person engagement/consultation events.

Reciprocity for people's time and insight extends beyond remuneration to the value and commitment shown to the feedback sought by government. Demonstrating that input has been considered in program design decisions will help to show that engaging in government consultations is worthwhile, that weight is given to contributions, and is valued by government beyond the initial engagement. For example, people could opt in to being kept informed on the outcome of their contributions – why certain ideas put forward were taken up or not taken up, why particular policy decisions were made.

Recommendations

The Federal Government should:

8. Properly acknowledge and value expertise and capabilities by committing to appropriately **remunerate and resource community sector organisations and people with living/lived experience for their participation in consultation processes** and bodies.
9. Develop systems for keeping people who have been consulted **apprised of outcomes**, and of the rationale for policy decisions taken.

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

2.1   What would adequate and flexible funding look like?

Adequate funding must include the true cost of delivering quality services, including direct and indirect costs (see **Section 2.2** below for a discussion of costs generally excluded from grant funding arrangements).

Flexibility in allowable funding disbursements within contracts is critical to service delivery which responds to changing community needs and circumstances. For example, this allows CSOs to resource up and down across a contract period to meet fluctuations in demand. Flexibility considerations are further discussed below.

A particular unnecessary restriction on flexibility are current provisions for the expenditure of surpluses around the end of financial year. For example, the intake and exit of clients does not fit neatly within a financial year – when some clients enter a service late in the financial year, it is reasonable to expect that service provision will carry over into the next financial year. Similarly, most place-based activities and outcomes-based commissioning will straddle more than one financial year and narrowly restricting expenditure on a financial year basis is unrealistic. CSOs should be able to retain surplus funds for a designated use, especially where the contracted CSO is meeting contract KPIs and requirements.

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

Government funders typically and rightly require CSOs to meet core governance contractual requirements such as finance, auditing, essential HR functions, legal, IT security, WHS, risk management, procurement and property, compliance. On top of this, government funders are increasingly including a range of other important quality and compliance requirements into contracts. These include:

- **Increased regulatory and accreditation compliance and Quality Assurance systems**. For example, the changes proposed in the Privacy Act Review Report will add to the cumulative cost burden borne by not-for-profit agencies and result in significant administrative, resourcing and cost burdens. We anticipate that we will need to recruit or assign a dedicated resource for a period of time to implement the changes within our organisation, and all CSOs will be in a similar position. Funding to assist with the implementation of changes must be made available by government whenever compliance obligations are introduced or undergo significant reform.
- **Redundancies and service closure costs**. These are necessary in a grants-based funding environment where contracts are usually of three-to-five-years' duration but the maximum period in Australia for a maximum term contract is two years. This necessitates providers allowing for redundancies where contracts are not renewed.
- **Employment of staff members with living/lived experience**. Staff members who reflect the diversity of the communities in which we work are a vital part of our workforce. Associated costs can include staff members with cultural backgrounds requiring flexibility in working

hours to accommodate cultural activities. For example, for First Nations staff members, respecting Sorry Business time usually requires backfilling of roles while maintaining financial support for the staff member.

- **Employment of staff members in remote areas**. Extra funding is required to meet the costs of staff accommodation, travel, pay allowances and leave provisions for staff in remote areas. This is required to ensure availability of appropriate expertise especially clinical staff, noting the current and predicted ongoing skills shortage. Best practice is for staff to move to the area to better understand community needs, rather than being engaged on a fly-in-fly-out basis, but this does carry extra cost. Contracts in some jurisdictions (for example, WA, QLD and the NT) do not reflect the significant cost differences between metro, regional and rural locations (for example, the additional remuneration required to attract quality and qualified staff to remote locations).

- **Technology costs**. As discussed in **Section 1.2** above, funders are increasingly expecting highly prescribed evidence-based practice, evaluations, impact or outcomes measurement and data collection. In particular, contractual requirements for comprehensive client and service data collection are requiring CSOs to invest heavily in sophisticated CRMs/client information systems.

- Costs specifically associated with **increased cybersecurity risks**. Small business and most other industry groups are able to access significant incentives and support programs for cybersecurity, but these are not available to CSOs.

- Costs associated with **sub-contracting arrangements**. Where sub-contracting arrangements are in place, both organisations (prime- and sub-contractor) need to cater for overheads, resulting in the net overhead for service delivery being higher. Where funding favours a partnership model with a smaller organisation, the smaller sub-contractor often does not have an efficient overhead base, requiring the prime contractor to augment governance, compliance and other functions, thus adding further costs. This is discussed in more detail in **Section 4.2**.

We acknowledge the importance of these requirements, but they must be resourced as genuine components of delivering a quality service. They all come at a significant cumulative cost to service providers. However, funders' program budgets limit what can be included as a direct cost of delivering the service, and almost always exclude the costs of meeting these new or increased requirements. Most program budgets have remained stable over the years, while the contractual requirements have increased.

This failure to accommodate the increase in costs incurred due to funder requirements or expectations can significantly undermine a CSO's viability and/or compromise service quality for people in need. In the long run, the accumulation of such unfunded costs can force the closure of smaller CSOs, changing the shape of the CSO "market."

Mission Australia and many other organisations are not rich in assets; we are unable to cross-subsidise program funding shortfalls with revenue from land holdings. We are fortunate in having access to generous donations which allow us some limited ability to meet these extra costs, but many CSOs don't have access to professional fundraising capabilities like ours. Every donation dollar is leveraged back to meet the costs that government doesn't fund including enabling supports for our programs such as data analysis, innovation and practice quality initiatives. We do not bid for

government tenders with markedly unviable funding levels; apart from anything else, this signals to governments that those levels are achievable when this is not the case.

Mission Australia has found we cannot compete for some tenders due to unviable financial requirements. Some government funding bodies, routinely and substantially under-price their tenders. For example, some Primary Health Networks (PHNs) have set an "overhead" level at 10%, although this is inconsistently applied, with some PHNs indicating they are seeking to shift this further down to 8%. Under these circumstances, no organisation could deliver its program with quality and meeting all contractual requirements without cross-subsidisation.

Mission Australia's experiences are supported by findings in the Social Ventures Australia and Centre for Social Impact report Paying What it Takes. This report found that the average indirect costs of CSOs was 33% of total costs, with significant variation between 26% and 47%. This was similar to the minimum of 29% indirect cost funding found in a US study of 130,000 charities. In Australia, this contrasts with funding agreements which often only include indirect costs of between 10% and 20% of overall costs. A significant proportion of organisations surveyed for the report said that they underreported their indirect costs to funders, believing that that funders are unwilling to fund more than 20% of indirect costs.[2] The Productivity Commission in 2010 found government routinely underfunded community services organisations contracted to provide services by 30% of the full cost of service delivery.[3]

These arrangements mean that there is no ability for CSOs to invest, because all resources are poured into constantly catching up and barely covering costs. In practice, Mission Australia like many organisations can only allocate a proportion of overheads to be competitive in winning tenders – never to fully recover the costs of running services.

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

CSOs are having to bear increased costs around wage growth, most of which are due to inflation and outside our direct control. These costs are in general not being met by increased funding levels, including through non-existent or inadequate indexation levels in contracts.

The impact of this includes: services reducing staff numbers; limitations on CSOs' ability to develop staff, maintain required skills, and retain staff; and restricted capacity to deliver other functions such as evaluations and investment in innovation.

This has a detrimental effect on the short- and long-term delivery of the services and outcomes for people who need them. These impacts are felt in terms of: lack of staff continuity in their work with clients; instability for people needing services; reduced quality of service planning; a focus on short-term outcomes rather than prevention or longer-term outcomes; inability to achieve long-term policy objectives; poorer quality community relationships; additional transitional costs and

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[2] Social Ventures Australia and the Centre for Social Impact (2022) *Paying what it takes: funding indirect cost to create long-term impact*. Social Ventures Australia, https://www.socialventures.com.au/assets/Paying-what-it-takes.pdf.
[3] Productivity Commission (2010) Contribution of the not-for-profit sector, p.280-1 https://www.pc.gov.au/inquiries/completed/not-for-profit/report/not-for-profit-report.pdf.

administrative burden for providers; and significant workforce management challenges. These impacts are further discussed in **Section 3** below.

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

We acknowledge the Government's provision of additional supplementation and recent reform of indexation, which for example contributed an additional 11-15% to our Families and Childrens programs this year.

However, we have some remaining concerns about the way that indexation is calculated and applied to community services. A consistent indexation policy that matches actual costs should be developed and embedded in funding contracts with formulas that recognise true cost increases that will impact the delivery of quality services and outcomes.

The Department of Finance clarified at the September CSAG meeting that indexation does not seek to fully compensate for price and wage movements, to encourage efficiency and productivity improvements. The characterisation of the community services sector needing to have funding withheld to make it more efficient is outdated and contradicts the evidence. Research has shown that not-for-profits that spend less on indirect costs are not necessarily more efficient nor more effective than those who do not. There is clear evidence that spending insufficient resources on indirect costs can potentially reduce overall effectiveness.[4]

Contracts that do not reflect real CPI increases throughout their periods have the effect of reducing the real value of the grant during its term, diluting actual service delivery outcomes or making it impossible to deliver activities such as evaluations. As a stark recent example, CSOs are faced with passing on the recent Fair Work Commission 4.6% wage increase, but without a concomitant increase in their government grant levels. Many will be unable to pass the wage rise on fully, further entrenching the sector's low pay rates, un-competitiveness against other sectors, gendered pay gaps and looming workforce shortages.

We also note that indexation must be built on a foundation of adequate grant base funding, and the timing of indexation should be as early as possible to enable CSOs to plan budgets effectively.

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?

Ensuring the equitable and responsive distribution of funds will require high-level collaborative discussions about resource allocation between program areas and geographies, drawing on several sources:

- data about changing and emerging needs;
- CSOs' knowledge from on-ground operations - frontline practitioners can become aware of shifts in demand for services long before these show up in population-level datasets such as the Census;

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[4] Social Ventures Australia and the Centre for Social Impact (2022) *Paying what it takes: funding indirect cost to create long-term impact*. Social Ventures Australia, https://www.socialventures.com.au/assets/Paying-what-it-takes.pdf.

- evidence about the effective and cost-effectiveness of different intervention types and models; and
- broad policy directions.

In relation to the latter point, it is of course important for funding allocations to reflect Government commitments and policy shifts, such as towards prevention approaches, based on the changing needs of the population. However, too often programs and services continue to be funded even though needs have shifted or their effectiveness is not proven through evaluations; it requires government courage to stop or change programs, but this is essential for the proper allocation of scarce resources. This further underscores the point made previously about the importance of inbuilt evaluations of programs and their contribution to informed decision-making in this area as well.

The mechanism for these resource allocation discussions would ideally be the recommended Advisory Group recommended in **Section 1.1**.

Following that, at the program level, conversations between funders, providers and others (including evidence-holders and potential service users/people with living/lived experience) are needed at the start of program design processes. This should include collaborative process to discuss whether the proposed funding amount is sufficient to meet intended outcomes. Such processes should continue at intervals throughout the term of the contract to ensure adequately and timely review, including based on changing community needs or to reflect evaluation results. It may even be the case on occasion that services could be provided more cheaply than anticipated by the commissioning agency, but the opportunity to discuss those possibilities must be built in at the start of tender processes.

2.6   How can government streamline reporting requirements, including across multiple grants, to reduce administrative burden on CSOs?

Reporting consistency and cadence

Reporting requirements are deeply inconsistent across government agencies, including the way costs are classified. A standard format and consistent way of looking at costs is required.

Reporting requirements that are consistent across federal agencies and other funders could be reported online once for each provider. For example, the Grant Recipient Portal could be configured to share one Statement of Compliance for a provider rather than for each program and funder. Provider Annual Reports could also be shared in this way.

Without secure automated data transfer processes in place, reporting schedules should be no more frequent than every six months.

Proportionate reporting requirements

Reporting requirements are also often disproportionate to the size of a program. A graduated system should be considered such that, for example, in cases where a grant is less than $500,000 in value there could be more limited reporting requirements. Some small grants have very demanding and complex reporting requirements and the cost of meeting those can outweigh the benefits.

Improvements to the Data Exchange and SCORE

The Data Exchange functions as a fit-for-purpose bulk data upload portal. In addition to service data, it also collects outcomes data through the Standard Client/Community Outcomes Reporting, known as SCORE. Whilst Mission Australia welcomes DSS's intention to streamline and standardise outcomes reporting across the sector, the data collection and reporting of the SCORE system poses the challenges outlined below, which work against this intention and have unintended consequences.

Firstly, the complexity of data reporting requirements for different contracts and the data collection/reporting processes within SCORE can be confusing and resource intensive for CSOs, especially smaller, locally-based or Aboriginal-controlled organisations. Navigating the system and ensuring accurate and timely submission of data requires a high degree of capability and a significant investment of time and resources, often diverting these from delivering services to people in need.

Additionally, the standardised nature of SCORE does not align with the diverse range of programs within its scope. Services tailored to local community needs may struggle to capture and demonstrate nuanced outcomes and impact, using the rigid reporting structures within SCORE. Therefore, the required standardized reporting should be better balanced against accommodating the diversity in community services.

Finally, community service providers often find it challenging to access meaningful insights from the reported data. This is hampered by the standardized nature of reporting outcomes against a 5-point scale using a wide variety of data collection methods. For example, some CSOs will self-report outcomes while others will use validated outcome tools (such as the Personal Wellbeing Index). The variety of outcome data collection within and across organisations makes it impossible to compare outcomes, benchmark or assess the effectiveness of different programs, make informed decisions, embed outcomes data collection into practice and continuously improve service delivery.

These limitations mean that, as far as is visible to us, the outputs of SCORE have had very limited use for CSOs to deliver, monitoring and evaluate services. Certainly, Mission Australia receives no utility from SCORE and means we must divert our central and service delivery staff to fulfill an unproductive obligation. Working in collaboration with the community services sector and service users to address these challenges is crucial to ensuring that the reporting process serves as a valuable tool for both CSOs and DSS. For example, we recommend:

- streamlining the SCORE domain/outcome reporting requirements within each of the program specifications;
- working with CSOs to set reasonable KPIs for data entry and completion of SCORE requirements;
- ensuring required data collection is comparable and consistent across organisations, for example through either a practitioner assessment, client self-assessment, support person assessment or a joint assessment. Ideally, DSS should develop a roadmap to build the capacity and resources of CSOs to integrate validated client self-assessment outcome tools (where appropriate) into their service delivery to provide robust, consistent, meaningful comparable data across similar programs; and

- providing access to benchmarking data for organisations and programs that are utilising the same outcomes data collection tools.

Improved processes for Activity Work Plans and Reports

Activity Work Plans and Reports can be demanding documents for busy operational staff to write, taking them away from direct service delivery. In our experience, the response from contract managers is frequently a brief 'no issue'. This does not provide confidence that the Funding Agreement Manager and/or policy staff have considered the report and value the content; if that is the case, the exercise has needlessly diverted scarce resources away from supporting people in need. All reporting requirements must be carefully assessed to judge whether they will truly be used by the commissioning agency.

Reform reporting mechanisms

Governments could collaborate to increase their digital maturity through the use of a secure Application Programming Interface (API) with CSOs using centralised and modern infrastructure (e.g. through the ABS or AIHW). The use of APIs would reduce the administrative burden of manual data extraction and data transformation required by CSOs, reduce costs to government of building and maintaining their own data systems, and reduce the privacy risks of governments using outdated data systems and practices.

Recommendations

The Federal Government should:

10. **Fund the full cost of service delivery**, including infrastructure, management and administration costs, and appropriate indexation.
11. Actively **involve CSOs in determining the full cost** of service delivery to ensure arrangements are realistic, transparent and reflect evidence.
12. Review the **method by which it determines and applies indexation** to community services, to reflect labor and cost pressures more accurately for delivering government-funded services.
13. Schedule opportunities prior to the beginning and during the life of contracts for government and CSOs to **assess appropriate resource allocation**, including changing costs over time.
14. **Standardise reporting**, including costs, across programs and agencies.
15. Work collaboratively with service providers and service users to **improve the Data Exchange and SCORE**.

Area of focus 3: Providing longer grant agreement terms.

Our response in this section has been informed both by our service delivery experience and by a sector study involving eight large CSOs.

The current short-term funding environment is detrimental to service delivery, and is a major impediment to retaining/hiring qualified staff. It disrupts continuity of care for clients. Short-term contracts are highly inefficient, with avoidable waste of taxpayer funds in high frequency contract "churn" incurred by both government agencies and providers. Many contracts have outcome requirements or expectations that are simply impossible to achieve in their one- or two-year term.

Shorter contract lengths and the sustainability issues they create have been identified by the Australian community sector as one of the key issues to be addressed by different jurisdictions.[5]

In combination, governments' contracting practices constrain providers' ability to deliver services which in turn has negative impacts for providers, communities and service recipients, and also to governments. There are flaws in governments' practices in:

- issuing short-term contracts;
- frequently extending contracts for short durations; and
- not providing providers with adequate notice of extensions.

These impacts are felt in terms of:

- lack of staff continuity;
- reduced quality of service planning; a focus on short-term outcomes rather than prevention or longer-term outcomes;
- inability to achieve long-term policy objectives;
- poorer quality community relationships;
- additional transitional costs and administrative burden for providers;
- significant workforce management challenges; and
- limited ability to develop innovative practices.

The most important impact is the first-listed. Staff members will, understandably, leave a service once its end date approaches to move to longer-term more stable employment. The lack of continuity of individual staff members damages trust relationships with the people they support, and causes instability for people needing services. Mission Australia's service users have consistently told us that trust relationships with staff members is a vital factor driving their service experience. Long-term stable contracts, which encourage staff to stay, are an essential component of good service delivery.

We support a shift to long-term funding contracts (minimum seven years for most programs and 10 years for place-based programs in communities with persistent and entrenched disadvantage or remote Aboriginal and Torres Strait Islander communities) with appropriate indexation to more

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[5] Blaxland, M and Cortis, N (2021) Valuing Australia's community sector: Better contracting for capacity, sustainability and impact. Sydney: ACOSS.

effectively support organisations to develop and deliver services for individuals, families and communities experiencing disadvantage.

We note that Federal government contracts generally include standards regarding the contract duration and notice periods for contract extensions or re-tenders. However, commissioning agencies regularly fail to adhere to these standards.

3.1 What length grant agreements are CSOs seeking to provide certainty and stability for ongoing service delivery?

Standard contract durations or extension durations of any less than three years are very difficult to manage, with implications for workforce stability and retention, longer-term planning and investment by CSOs, and the ability to achieve outcomes in the provision of services to individuals and communities with complex needs. Funders also incur costs and administrative burden associated with continual tendering or extension processes.

Repeated short-term contract extensions are an even greater challenge than initial short-term contracts. This is a common experience across the community sector, often due to delays in procurement processes or review/evaluation processes that extend past a contractual end date, and is extremely detrimental to service and workforce stability. It is now common to see programs primarily operating on short-term extensions after the base contract has expired.

"Where a request for tender is released, it is often a two-to-three year contract, but we are seeing an increase in existing contracts being rolled over year after year on a 12 month basis. We are seeing a lot of contracts on continual extensions for 12 months at a time, which has the same impact on staffing."

Service Manager, national CSO

Several factors should be taken into consideration when setting contract duration, including program complexity, service location (regional, rural, remote), and complexity of community need.

Indexation also needs to be a key consideration in contract duration considerations. Longer contracts have many benefits but there must be structured periods of review built in, to ensure opportunities for negotiation of proper levels of indexation and cost recovery. When governments fail to pass on the full CPI increases but continue to expect the same level of service delivery, particularly where increased complexity of need is observed, the impacts on service users and providers can be severe.

The Productivity Commission has previously recommended longer-term contracts for family and community services and mental health services in its human services and mental health inquiries, as has ACOSS.

We recommend contract durations of at least seven years for most programs and 10 years for place-based programs in communities with persistent and entrenched disadvantage or in remote Aboriginal and Torres Strait Islander communities.

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?

It is good practice for funders to review contracts at the point of extension, which is an opportunity to reflect changing demand, the results of evaluation or other factors that should be taken into consideration. However, this review needs to be undertaken collaboratively with providers.

Ideally, between six and eight months should be given to negotiate grant variations and extensions. That would allow approximately two months to put a plan in place and between four and six months to execute it. These are time-consuming activities that are often overlooked in contract negotiations.

A six-to-eight-month timeframe would allow:

- appropriate planning for resourcing and budgeting;
- retention of skilled and experience staff, with time available to spend planning for a new round of service delivery;
- smooth implementation of service provision, closure or transition to new provider; and
- clients to be prepared for change, and to continue working towards successful outcomes.

"Our experience has been that caseworkers will often look for advice about extension or alternative work within the last six months of a contract. Particularly in line with cost-of-living expenses rising, when our caseworkers are concerned about their own future and job security, they are less able to focus on their clients."
Service Manager, national CSO

Notifications should also include financial details to support CSOs' decision making and planning. CSOs should be able to make a determination about whether to agree to an extension based on an assessment of available funding and any other changed conditions.

When funders are considering whether to extend an existing contract, indexation needs to be a key consideration. If a contract is extended but indexation not increased, it has a corrosive effect for providers, effectively reducing the amount available to deliver the program over time. If adequate indexation is not applied, the funder needs to be prepared to renegotiate the contract deliverables, including for fewer clients supported and/or less impactful outcomes.

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

Increased flexibility of funding within a contract term – particularly with regard to unspent funds at the end of the financial year – would allow for more effective re-investment in service delivery and innovation. For example, some commissioning agencies regularly delay payments, which then restricts timely expenditure and creates a significant unspent amount heading towards a financial year end. Contracts should allow providers' use of such unspent funds on legitimate service-related activities, such as evaluations, service enhancements and research work.

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

There is significant variation between commissioning agencies in acquittal processes; standardisation within and across government agencies would assist in increasing efficiencies and decreasing costs for funders and providers alike.

Mission Australia deals with between 200 and 300 different versions of acquittal reports. Standardising the process would improve turnaround times and potentially reduce the number of staff required in the end-to-end process, including external audit staff.

The Government should also consider whether audited acquittals are really needed for each program; they may be an excessive requirement based on the size of the grant. A graduated approach based on grant size may be warranted.

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 variation process could be improved. We understand that service requirements and delivery approaches change. However, we sometimes receive notification of variations with no or very little (perhaps a fortnight) warning. We need time to review and consider any proposed variations to understand their implications and consider a response.

Federal government contracts generally include standards regarding the contract duration and notice periods for contract extensions or re-tenders. However, commissioning agencies regularly fail to adhere to these standards. A stronger commitment is needed from commissioning agencies to adhere to these standards and provide sufficient time for variation processes to be negotiated in good faith, for CSOs to consider change requests and for mutual discussions about the implications of any changes.

Recommendations

The Federal Government should:

16. Increase the use of **long-term contracts** when commissioning and recommissioning services, to at least seven years for most programs and 10 years for place-based programs in communities with persistent and entrenched disadvantage or in remote Aboriginal and Torres Strait Islander communities.
17. Provide a minimum of **two years for any extensions** and issue official notice as soon as possible for contract renewals or retenders – at least six months before the end of the contract.
18. Adhere to standards set in contracts regarding contract duration and notice periods for extensions or re-tenders.
19. Consider a **graduated approach for audited acquittals** based on grant size.

Area of focus 4: Ensuring grant funding flows to a greater diversity of CSOs.

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

Mission Australia supports a diverse community sector and recognises the need for organisations of different sizes and with different strengths to be part of the ecosystem providing services to Australians in need.

We believe in sector diversity because we know that different types of organisations can play different roles in the delivery of human services: broad-scale, sophisticated and well-resourced providers are skilled at delivering impactful and efficient services to certain cohorts to meet certain needs in certain settings, but smaller, community-based or single-speciality organisations are better in other circumstances.

Mission Australia is proud to contain both a centralised capacity around governance, risk, research, quality, and other relevant functions and also to operate under a decentralised model, where local managers and staff live in the places they work and are deeply connected to their local communities. We also support smaller, community-based or single-speciality organisations, such as Aboriginal Community Controlled Organisations (ACCOs) and organisations specifically supporting LGBTIQA+ people or people from certain CALD backgrounds, in circumstances where they are better placed to provide services.

Government commissioning agencies should be similarly explicit about their intentions behind any goal of sector diversity. Governments create human services markets through their decisions and actions; government goals about sector diversity may have a significant impact on the nature and scope of these markets.

For example, governments may, through sector composition, want to maximise value for taxpayer dollar, or build long-term social capital, or focus on particular cohorts or communities: such diverse objectives would lend themselves to different procurement processes, program design and other market-defining structures.

Whatever their intention behind a sector diversity goal, government funders at a minimum should require that providers are capable of generating successful outcomes for people in need.

4.2 What programs, supports and information are already available for smaller CSOs to help build capacity of the organisation? Are these working?

Mission Australia, like many larger organisations, is committed to supporting smaller or specialist organisations in the sector. We also recognise and appreciate that capacity-building goes both ways: while we are often able to support the development of skills and systems in functions such as governance and impact measurement in smaller organisations, equally we are supported ourselves in the development of local community and/or specialist knowledge, networks and resources.

One mechanism that we use to offer capacity-building support is through partnerships and sub-contracting arrangements with smaller organisations, including ACCOs. Subcontracting

arrangements facilitate the ability to provide specialist or culturally appropriate support, resulting in the optimum support for those we serve.

For example, we are part of the Integrated Family Support Service (IFSS) Alliance in Tasmania. Two large providers – Mission Australia and Baptcare – are the lead CSOs and contract other small, medium and large providers in regional areas based on their presence, local relationships and knowledge of the community. Alongside Baptcare we support the smaller organisations with reporting, client systems and other administrative arrangements needed to provide services.

The Communities for Children hub-and-spoke model also works well in our experience, building constructive partnerships between organisations with different skills and resources to support and work alongside with the local community.

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

Larger organisations have a responsibility to support small organisations that are aligned in values and objectives. However, there are barriers to routinely undertaking this work, which include:

- a lack of funding dedicated to providing this support, making it another cost to organisations not covered by grant funding and therefore not meeting the true cost of service delivery. Capacity building can be very expensive especially where considerable investment in development is needed;
- different governance structures between organisations, making it difficult to align requirements; and
- competitive tendering processes, which reduce collaborative opportunities and incentives to share intellectual property.

If existing providers are expected or required to support the development of new or smaller CSOs, this must be recognised as one of the indirect costs associated with service delivery and funded adequately through grant processes.

If the Government wishes to encourage start-ups, we suggest that a specific funding stream be established to initiative and provide some early support to new organisations. Following that, viable organisations will be able to demonstrate their value and seek new service delivery opportunities through tender processes.

Recommendations

The Federal Government should:

20. Include the provision of **support to smaller CSOs as an item in grant funding** agreements.
21. Require that **contracted CSOs of whatever size are capable of generating successful outcomes** for people in need.

Area of focus 5: Partnering with trusted community organisations with strong local links.

Our response to this area of focus particularly addresses *Q5.1 (What is your experience with and reflections on place-based funding approaches?)* and *Q5.4 (Where there is a community-led change initiative, could shared accountability to community and funders (government) strengthen service delivery?)*. It draws on a submission to the *Issues Paper* made by the Strengthening Communities Alliance, of which Mission Australia is a member.

Place-based work focuses on building strengths and capacities in communities and has led to positive outcomes in many regions, including some where traditional models of service delivery have failed. This approach privileges community voice, action and leadership in creating solutions, and shifts power from centralised institutions towards local communities in the process.

However, current commissioning and funding processes do not effectively support place-based work.

Short timeframes, for financial and non-financial commitments alike, have consistently been an impediment to place-based work. Long-term, adequate funding is the most pressing need for the sustainability of such initiatives moving forward. A lack of commitment often manifests as a constant need to reassure funders and identify new sources of funding; it can also break trust and relationships with the community as resources wax and wane. Sourcing long-term capital capable of addressing the level of disadvantage in many communities remains a significant and persistent barrier to change.

Importantly, we need to re-contextualise thinking about funding. There is already significant investment in many communities experiencing disadvantage, but most often its delivery is fragmented, siloed and not in areas that the community wants – usually, more money is not needed, but rather better design and delivery of existing funds. This design needs to happen in partnership with community organisations and community representatives to ensure that a diverse range of local communities can benefit. Participatory grant-making approaches show promise in this area, and we are also pleased to see this referenced in the *Issues Paper*.

There are multiple existing barriers to place-based work, with ways of addressing those barriers including:

- **Long-term commitment, financial and nonfinancial**: For government commissioners, funding models should match the work that is required, the way it needs to be performed and the realistic timeframes required. Programs aiming to achieve long-term outcomes, including but not limited to place-based community-led initiatives, require long-term funding cycles with appropriate evaluation points along the way, with long-term commitments provided up front.
- **Commissioning and funding of services**: As addressed in **Section 1.1**, co-commissioning processes would allow governments, CSOs, communities and other actors to design and implement new approaches. In some spheres already, including around place-based work, the relationship between governments and service providers is shifting from a funder/provider relationship to a collaborative relationship with shared responsibility for a

different way of working with communities. We would like to see this extended further in both place-based initiatives and beyond.

- **Competition in human services**: A reduction in competitive approaches – led by government and CSOs – will help to transform the human services system and create an environment that supports place-based initiatives and other work with people experiencing disadvantage.

We also note that reforms to develop a stronger, more diverse and independent community sector will not work without actively acknowledging, valuing and including Aboriginal and Torres Strait Islander communities' ways of operating, including the need for trust building over long timeframes.

Separate to place-based community-led initiatives, many place-sensitive, community-informed but government-led programs support individuals and families within communities. Examples include Communities for Children funded by the DSS. The place and community focus of these programs is valuable and should be incorporated into the design of all programs. We recommend that the Federal Government, through the Department of Prime Minister and Cabinet, should work with other agencies, CSOs and community groups to develop guidelines to support commissioners to incorporate place- and community-focused principles into program designs.

Recommendations

The Federal Government should:

22. **For place-based initiatives, introduce long-term (minimum 10-year) funding cycles**, with appropriate evaluation points along the way and with long-term commitments provided up front.
23. Introduce **co-commissioning processes for place-based and other programs** with a focus on reducing competitive tensions between community sector organisations.
24. Specifically **consult with Aboriginal and Torres Strait Islander people and organisations** on the issues raised in the *Issues Paper*.
25. Through the Department of Prime Minister and Cabinet, work with other agencies, CSOs and community groups to develop guidelines to support **commissioners to incorporate place- and community-focused principles into program designs**.

Community sector workforce issues

Although not included as a key focus area in the *Issues Paper*, workforce issues in the community sector have significant interactions with grant funding arrangements.

Several workforce issues are created by the constant churn of short-term contracts and extensions, including:

- **Recruitment:** Short term contracts can create challenges in attracting and recruiting for skilled roles due to perceptions of poor job security, as staff seek employment in other industries with greater stability. This significantly limits the ability of community service providers to compete for staff at a time of significant workforce shortage and casualisation of the workforce. This is a particularly acute concern for remote areas where remote working allowances, staff accommodation, extra leave and other requirements impose additional costs and challenges.
- **Backfilling:** Short term contracts can place additional pressure on staff from other services to fill gaps in programs with limited staff, including where required to honour cultural activities such as Sorry Business.
- **Staff development:** Providers may have limited capacity and appetite to invest in training and upskilling staff employed for short periods. Investment in staff development is also constrained by the competing need for ongoing recruitment efforts caused by high staff turnaround.
- **Staff productivity:** Short term contracts can also drive lower productivity rates due to any time required to commence and decommission services and train and upskill staff.
- **Redundancies and service closure costs:** Short term contracts can also often result in staff redundancies where contracts are not renewed.

A focus on retention is critical to make sure the community services workforce, and any initiatives to drive recruitment, is sustainable. Many workers are employed in fixed-term or casual positions which makes it an insecure sector to work in and this, coupled with slow wage growth, produces barriers to entry as well as to remaining in the workforce.

Jobs in this sector can be enormously rewarding in 'psychic income', but can also be mentally, emotionally and physically tough. The rising demand and unmet need for support services can have a detrimental impact on the health and wellbeing of workers and attractiveness of working in the sector, as well as negatively affecting service quality.

Recommendation
26. The Federal Government should specifically consider **workforce retention issues** in commissioning and recommissioning processes.