

Submission to: *A stronger, more diverse and independent community sector*

Department of Social Services

16 November 2023

About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metro, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Summary

ACOSS urges a fundamental redesign of the Federal government's funding arrangements for the sector, as well as a reset of critical working relationships, to build a stronger, more diverse and independent community sector. The sector is a major national contributor of essential services, policy advice, employment and local community, social infrastructure. Yet the sector works in a perniciously difficult operating environment that government must fully tackle through this consultation process. This includes long-term challenges such as chronic under-funding, deterioration of the value of grants, opaqueness on indexation, contract uncertainty, lack of investment in disaster preparation and recovery and an inconsistent approach to engagement on policy and service reform across portfolios and between governments.

ACOSS has identified 17 recommendations to address these challenges that include:

- Developing a genuine working partnership on public policy and service design by improving central coordination and resourcing the sector's engagement.
- Repairing immediate funding inadequacies whilst setting out a longer-term pathway to move to a needs-based funding model.
- Improving contractual arrangements and practices to provide organisations with greater flexibility to pursue outcomes.
- Properly fund community peak bodies and advocacy groups.
- Investing in local organisations' capability in disasters.

Our consultation approach

ACOSS undertook extensive consultation with our national members in the development of this submission. We convened two online workshops to discuss responses to the Issues Paper and invited further feedback from members via email. As part of these interactions, we consulted members on our recommendations outlined in this submission.

Additionally, throughout the public consultation period, ACOSS briefed members at our fortnightly CEO network meetings, and at our Community Services Policy Network Meeting. We also encouraged community service organisations to contribute to the consultation process in our online communications channels.

To strengthen the submission further, ACOSS ran an online survey for people accessing and using community services. We promoted this survey to our network of people experiencing poverty and relying on income support.

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Overview: the time for serious sector reform is now

ACOSS welcomes the opportunity to contribute to the consultation, *A stronger, more diverse and independent community sector* (the Consultation). We commend Minister Rishworth for initiating this process, and the Department of Social Services (DSS) for its development of the Issues Paper in collaboration with the Community Services Advisory Group (CSAG).

The Consultation has been almost twelve months in the making. Throughout 2023, ACOSS, alongside other CSAG members, has been highly active in monthly meetings with DSS, working in good faith. The entire sector is now keenly watching and waiting to see what outcomes the Consultation produces.

The Consultation sits alongside the work undertaken by the Department of Prime Minister & Cabinet to develop a draft National Strategy for the Care and Support Economy. That draft National Strategy explores the design of social service markets, as well as the role of government and service providers within them. Service system design is an equally important policy area where reform is critically required, especially around the use of failing markets. ACOSS provided a submission on the draft Strategy that should be considered concurrently with this submission.¹

a. The community sector is a major national contributor

The community sector makes a major, positive contribution to Australia. A constellation of community service organisations (CSOs) provides a wide range of supports to people across the country. The Federal Government relies on the community sector to fulfil its responsibilities in delivering essential services. The community sector helps government develop public policy and design services. Specific organisations are routinely involved in various advisory bodies, consultations, inquiries and reviews. The sector also provides unique insight and intelligence to government during times of crisis such as COVID-19, or where systemic policy failure and maladministration occurs, such as with Robodebt.

As repeatedly acknowledged by Assistant Minister Leigh, the sector is critical to maintaining strong, cohesive communities where people can feel included, connected and valued.²

The economic value of the sector is enormous but under-acknowledged. Healthcare and social assistance is the largest and fastest growing industry in Australia, bringing employment opportunities and providing economic benefit.³ There are over 2.1 million people working in social assistance and healthcare in

¹ See [ACOSS Submission on the draft Strategy](#) for further information.

² Holmes, Dan, '[Australia faces a 'civic crisis'](#)', *The Mandarin*, August 29, 2022.

³ Department of Prime Minister & Cabinet, [Draft National Strategy for the Care and Support Economy, 'Economic impact of care and support'](#).

Australia, representing 15.2 per cent of the total national workforce.⁴ This workforce is projected to grow by almost 16 per cent over the next 2 years.⁵ While the Issues Paper notes a total of \$26.1 billion of Commonwealth grants was distributed to CSOs in 2022-23, the draft National Strategy for the Care and Support Economy developed by the Department of Prime Minister and Cabinet states that the gross value added to the economy by healthcare and social assistance industry is \$175 billion, the second largest contributor to total industry GVA after mining.⁶

For such a major social and economic contributor to Australia, and for such an industrious and reliable partner to the Federal Government, the community sector is under-funded and under-valued. This is a longstanding dilemma familiar to the government; in 2013 Minister for Financial Services & Superannuation, Bill Shorten admitted:⁷

"Interestingly, despite your numbers, you don't have the influence on national policy your weight should warrant. There is very limited public discussion about your needs or your issues as a sector."

The Consultation must forthrightly put the sector's needs and issues at the centre of policy considerations by the Federal Government. To truly foster a stronger, more diverse and independent community sector, the Consultation must lead to systemic and enduring change, not tinkering with a failing status quo or promises to return to perennial issues at some vague point in the future.

b. Our communities, and the sector, are more challenged than in a generation

The community sector exists to help people in need; supporting them to build a better life of their own choosing. Yet people living in poverty, disadvantage and hardship are sinking fast and struggling to find sufficient help. One quote, from a CEO running a child and youth service in Victoria, summarises the state of the sector:

"In almost thirty years in community service provision, I have never experienced a more challenging environment."⁸

⁴ Australian Government, Jobs and Skills Australia, ['Health Care and Social Assistance'](#).

⁵ Australian Government, Labour Market Insights, ['Health Care and Social Assistance'](#).

⁶ Department of Prime Minister & Cabinet, [Draft National Strategy for the Care and Support Economy, 'Economic impact of care and support'](#)

⁷ The Hon Bill Shorten MP, Minister for Financial Services & Superannuation, ['Passing Round the Hat for Change: This Labor Government and the Not-for-Profit Sector'](#), National Press Club, 27 May 2011.

⁸ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSs.

The Consultation must acknowledge the external pressures that constantly bear down on the sector. The Federal Government is one of the main funders of social services in Australia, but it also makes decisions exacerbating national levels of poverty, disadvantage and hardship. Immorally low levels of income support, a lack of social housing, privatised employment services and a hollowed-out Services Australia⁹ actively push people into the margins of our society. The community sector must operate in this environment to help people find the solutions, remedies and ways forward.

Approximately 3.3 million people live beneath the poverty line in Australia, 761,000 of which are children.¹⁰ People daily sacrifice a combination of food, medicines, electricity, heat, cooling and other life essentials. They are forced to consider life in tents, or caravan parks, because there are no vacant and affordable rental properties, and social housing wait lists now run into the decades. Some cannot afford to leave locations battered by regular, severe disasters and remain at risk of further catastrophe. Others choose not to leave conflict-fuelled or violent homes because of their situation. They survive with a sense of deep despair. Unsurprisingly, the sector is overwhelmed by the levels of individual need.

In 'normal' times, the community sector acts as mitigator of the worst of events. But we are no longer in an era of traditional normalcy. Community organisations were there first during the catastrophic 2019/20 bushfires to help communities rebuild and recover, and again during the series of devastating floods over the past several years. The community sector was the frontline response during the COVID-19 pandemic. Now, as cost of living causes increased financial distress, housing options dwindle and disasters become a year-round challenge, the community sector is first there again.

For ten years, the community sector has exhausted almost every efficiency, innovation and alternative it can muster to make the most of its funding. It should be a major red flag for government that only 3 per cent of community service organisations can 'always' meet demand for their services, according to the latest data from the 2022 Australian Community Sector Survey (ACSS 2022).¹¹ Overall, only 1 in 3 respondents could 'usually' meet demand.¹²

⁹ Morton, Rick, ['Exclusive: Australia's welfare agency at risk of collapse'](#), *The Saturday Paper*, September 23 2023.

¹⁰ ACOSS and UNSW, Poverty and Inequality Partnership, ['Poverty in Australia'](#).

¹¹ Cortis, N. and Blaxland, M, [Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey](#), 2022, ACOSS.

¹² Cortis, N. and Blaxland, M, [Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey](#), 2022, ACOSS.

People's experiences accessing and using community services over the past twelve months: summary¹³

To inform our submission, ACOSS conducted a survey with people accessing and using community services over the past twelve months. Survey respondents included people experiencing poverty, relying on income support and seeking the assistance of CSOs in their lives. Overall, this group experiences high levels of disadvantage and marginalisation. Presented here are key findings.

According to respondents, the community services most needed and accessed during this period were:

1. Mental health services and supports,
2. Emergency relief and food support, and
3. Community health-related services.¹⁴

The following results relate to services accessed most often over the previous twelve months.

Asked how easy it was to find suitable assistance, respondents answered:

- Really hard or hard: 45.07 per cent
- Really easy or easy: 30.99 per cent
- Neither hard nor easy: 21.13 per cent

Asked how long respondents waited for assistance after finding a suitable service provider, they replied:

- Received assistance immediately: 52.17 per cent
- Waited up to 3 months: 26.09 per cent
- Waited longer than 3 months: 21.75 per cent

Asked whether this service make an impact on their lives, respondents replied:

- Positive and lasting impact: 33.33 per cent
- Small, positive impact: 31.88 per cent
- Negative and lasting impact: 8.7 per cent
- Small, negative impact: 5.8 per cent
- No impact at all: 5.8 per cent

Asked whether this service provides any ongoing support or assistance now, they replied:

- Yes 54.29 per cent

¹³ This survey was completed by 76 individuals between October to November 2023. It was made available online via Survey Monkey, and was promoted by ACOSS and certain members through various communications channels. All data is de-identified. Some results presented above are aggregated from two or more questions.

¹⁴ This option included alcohol, tobacco and other drugs support, health promotion, community health, sexual health, hospital, hospice, palliative care.

- No 40 per cent

Asked whether respondents were on any waitlists with service providers for other assistance, they replied:

- Wait list for one or more additional services: 37.14 per cent
- Not on wait list because I do not require assistance: 27.14 per cent
- Not on the waitlist because the wait time is too long or it was too hard to get on the waitlist: 20 per cent
- Not on the waitlist for additional services because couldn't get through to the service I needed: 24.29 per cent

Some respondents shared their stories. The following is a sample of their responses.

"Community services allow me to continue functioning within society. Without them, my family would likely be starving and homeless."

"Fresh fruit and vegetables very limited or non-existent. Fresh/frozen meats sell out very quickly. Eating healthy is a challenge when needing to rely on community handouts"

"Asking for help is humbling. My partner and I both had employment, and when we lost our jobs; it was difficult navigating Government systems to try and access the help and assistance that we needed."

"It's too complicated the system seems to be made to restrict assistance."

"Volunteers have been kind to me, they have mentioned how busy their services are now due to the rising costs of living."

"Being homeless even if you have someone who will let you stay is degrading. It really affects your confidence, you get depressed, and in my case no work in the area, which means I am unlikely to ever afford rent. Not having a car and no public transport in the country means I can't visit my kids. I want to work and if I could get accommodation in town or the suburbs, I could get work, see my kids, and I know my depression would disappear."

"It's hard to know what services exist, let alone how to find them. I wish there was a hub of some sort where we could find them."

c. The sector is losing valuable workers at a time of low unemployment

Our workforce is at a new depth of exhaustion and burnout. Senior leaders and frontline staff are working longer and harder each week. Four years of rolling disasters have exacerbated these trends.

Some organisations, and many staff, are financially strained from cost-of-living pressures, with workers themselves personally impacted by disasters or the housing crisis. Staff are worried about their own financial security, their capacity to afford life's essentials and to plan for retirement. Increasingly, they are left with few alternatives but to consider leaving the sector altogether.

ACOSS has captured stories from many workers that reflect the sector's current predicament:¹⁵

"Three of my staff were made homeless this year"

Senior Manager, housing and homelessness service, Queensland.

"I could leave my role and work at Coles as a Bakery Manager and receive a higher salary than I do in my current role. I also was offered a role to work with young people and families post suicide intervention work and would be paid less than a Coles casual employee completing online shopping"

Frontline worker, Financial, legal and emergency supports, Victoria.

"I am exhausted by the hustle for funding, the lack of recognition of the community sector's important work, and delivering a leadership role with a huge and sophisticated workload for the same salary I made when I left the private sector 20 years ago. I am also concerned that I will not have enough savings/super to retire comfortably",

CEO child and family youth service, Victoria.

"I cannot afford to keep working part time. Although I love this job there is no future here for me. I can no longer cover my basic living expenses with the money I earn working part time and there is no capacity for more paid hours",

Office support/Central services provider of multiple services, Northern Territory.

People working in social services, nearing burnout from overwork and inadequate pay, consider leaving the profession altogether despite their passion for the mission and the work. This threatens to exacerbate existing workforce challenges.

¹⁵ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS.

d. Time to build a pathway of meaningful reform for the sector

The Albanese Government has started delivering on its election commitments to strengthen the community sector, several of which are cited in the Issues Paper. Its supplementary funding measure from the October 2022 Budget was widely welcomed and is now being administered. Recent changes to indexation arrangements in the May 2023 Federal Budget offer some improvement to community sector organisations over time, although the exact impact is still being determined. The Federal Government also deserves strong commendation for removing and/or nullifying advocacy gag clauses in Federal contracts.

These actions should be first steps in building a longer reform pathway. This Consultation must act as the necessary catalyst.

To honour its election commitments, and truly build a stronger, more diverse and independent community sector, the Federal Government must take serious, bold action to properly back the community sector, and elevate its status commensurate with its importance as a major national contributor.

ACOSS recommends the following:

Recommendation 1:

The Federal Government create a Civil Society Advisory Group to sit within the Department of Prime Minister and Cabinet, to coordinate engagement and collaboration with the community sector on sector funding, policy and contracting reforms. The group should be composed of senior public servants from across the government as well as representatives from the community sector. It should be resourced on an ongoing basis.

Recommendation 2:

Elevate the role of the community sector in major policy processes, acknowledging the significance of the sector's national contribution and its relevance to ongoing policy processes such as taxation and revenue, quality essential services, industrial relations, employment, gender equality, and climate change, disaster preparedness and recovery.

Recommendation 3:

The Federal Government should commit to appropriately remunerate and resource community sector organisations for ongoing engagement on public advisory groups, bodies, panels and other authorities. This should include compensation for reasonable travel costs for in-person events. This commitment should be incorporated across government into relevant departmental guidelines and policies, as well as Terms of Reference for ongoing consultative bodies.

Recommendation 4:

DSS should ensure the expertise of people and communities who experience poverty, disadvantage and hardship, and who access and use community services, are at the centre of policy development and services design. In

consultation with the sector, DSS should develop a comprehensive framework for including lived experience expertise, based on a human rights approach.

Recommendation 5:

DSS should shift away from the use of for-profit and other private sector consultancies and advisory services in commissioning work related to social policy, service or program delivery. Any organisation commissioned for such work should have a clear public purpose mission, which could include academic, public policy institutes, social enterprises and similar entities in broader civil society.

Recommendation 6:

Government should shift to incorporating into grants all relevant overheads required to support a community service organisation to provide quality service delivery.

Recommendation 7:

Government should guarantee necessary funding for pay decisions made by the Fair Work Commission affecting the community sector. As the main purchaser of services, the Federal Government must fund any relevant pay rises and improved workplace conditions for the community sector workforce arising from decisions made by the Fair Work Commission.

Recommendation 8:

The government should task the ABS to collect better data on social service provision including geographically specific pricing information, starting with delineating between social assistance and healthcare. This will ensure there is a better evidence base for determining costs.

Recommendation 9:

Government must develop better indexation arrangements that reflect actual increase in costs incurred by CSOs. This includes undertaking the following:

- (a) reviewing and reforming the method by which the Federal Government determines and applies indexation to community services across government, to more accurately reflect the costs for delivering services. A review should actively consider the development of alternative methodologies and examine relevant approaches of states and territories. A new indexation method should apply consistently, transparently and equitably to organisations funded across government for service delivery and advocacy.
- (b) not applying productivity or efficiency dividends to indexation.
- (c) improving the transparency by which CSOs are notified about the quantum and indexation rate they receive on Federal grants, including

fully publishing relevant indexation rate(s) and calculation methods in Budget Papers.

- (d) paying indexation no later than the first quarter of a new financial year to allow organisations to adequately plan their service delivery for the coming twelve months.

Recommendation 10:

Government should undertake comprehensive service needs analysis and mapping, conducted in partnership with the community sector and other relevant experts and stakeholders.

Recommendation 11:

Increase standard contract lengths for community sector grants to at least five and preferably seven years for most contracts; and 10 years for service delivery in remote Aboriginal and Torres Strait Islander communities.

Recommendation 12:

Improve contractual arrangements for CSOs through:

- (a) an amendment to grant rules to ensure that service providers are given at least six months' notice of any renewal or cessation of funding. Where this cannot be achieved, and services are ceased, a contract extension of at least 12 months is provided;
- (b) including contract provisions that allow an organisation to request additional funding where a contract is not renewed to manage the transition of services to another provider;
- (c) working with CSAG to develop model standard contractual clauses that support operational agility and improve transparency, consistency and equity in funding contracts used across the Federal Government with the sector.
- (d) more transparency about grants funding outcomes, so that where funding has been transferred from one provider to another, they are made aware to facilitate the referral of service users; and
- (e) an 'Industry Fund' to resource retraining, redeployment and other supports for workers displaced by major reform programs.

Recommendation 13:

Apply further flexibility to funding arrangements, including:

- (a) specifying outputs, person-centric outcomes and activities in contracts rather than inputs;
- (b) permitting organisations that deliver services more efficiently to "keep" surpluses and redirect them to service delivery rather than return them to consolidated revenue;

- (c) including contract provisions that organisations faced with serious impacts from natural disasters (including pandemics) can redirect funding to meet agreed alternative services; and
- (d) assessing whether the contract adequately covers changing costs over time, including in the payment of indexation annually.

Recommendation 14:

Government should shift away from using failed market-based approaches to service delivery and collaborate with the sector to explore credible alternative systems that encourage collaboration, practice exchange and innovation as well as improve the quality of services for people.

Recommendation 15:

Properly fund community peak bodies and advocacy organisations to better undertake their critical systemic advocacy and engagement work. This requires an investment of at least \$30 million per year to such organisations.

Recommendation 16:

The Federal Government should create:

- (a) a permanent enabling fund to complement the Disaster Ready Fund, so community services have core funding to improve preparedness and improve response and recovery due to disasters.
- (b) a permanent flexible contingency fund within disaster recovery funding arrangements, so community services in affected disaster areas can replace equipment, support workforce constraints, and meet increased demand during disaster response and recovery efforts.

Recommendation 17:

The Federal Government should:

- (a) raise the rate of working age income support payments to at least \$76 a day to be in line with the pension; index payments in line with wages, as well as price increases, at least twice per year; and establish disability and illness, and single parent supplements; and
- (b) make housing affordable for people with low incomes by committing to a 10-year, pipeline of social housing investment to meet housing need; and increasing Commonwealth rent assistance to reflect rents paid by lifting the maximum threshold for CRA by 50 per cent, which would double the payment received.

We outline these in more detail below. Our submission is organised according to the relevant sections in the Issues Paper.

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

ACOSS commends DSS for seeking views on how to build a working partnership with government that better garners respect and influence for the sector. Building such a partnership requires a fundamental rethink on the Federal Government's approach to the relationship.

Below we set out key challenges and recommendations to support a genuine working partnership between the sector and the Federal Government.

a. There are major challenges in how government engages the sector

Although this process is being led by DSS, the sector's engagement with the Federal Government extends across the Departments of Prime Minister & Cabinet, Treasury, Finance, Health & Aged Care, Attorney-General's, Home Affairs, Climate & Energy as well as the National Indigenous Australians Agency, the National Disability Insurance Agency, among others.

The Federal Government is developing national policy frameworks directly relevant to the sector, such as via the Employment White Paper, the Women's Economic Equality Taskforce and the National Strategy for the Care & Support Economy. The sector also remains involved in reform processes following recent Royal Commissions including respectively Robodebt and the Violence, Abuse, Neglect and Exploitation of People with Disability.

Despite its clear and critical importance across the Federal Government and its suite of responsibilities, the sector is routinely excluded from major reform processes on economic, social and climate policy such as those outlined above. It is well accepted that business and employer associations, as well as unions, would be directly involved in such processes. Yet despite the sector being a major national contributor and a unique voice for equity and the interests of people on low-incomes it remains resigned to the periphery by senior ministers and departments alike.

Indeed, the perspectives, interests and needs of the sector tend to be referred to DSS for consideration, regardless of the fact that other departments are major funders of sector and without acknowledging the multiple impacts the sector has on the economy, employment and communities generally. This sends a clear signal to CSOs that their expertise is not valued as much as other national actors.

Given that context, government engagement with the sector is ad hoc. CSAG, and the Civil Society Advisory Group run by Services Australia, are exceptions to the general approach, being ongoing engagement mechanisms (not considering for now scope or impact). The sector is typically compelled to reactively respond to the government's requests for engagement, issue by issue. The sector spends a considerable amount of its time, resources and

capacity responding to concurrent reviews and inquiries into draft legislation, proposed public policy, or service design. Competing consultations often occur concurrently, depriving CSOs of an opportunity to leverage their input, in turn dulling the government's agenda. As acknowledged by the Issues Paper, the contributions and involvement of CSOs in most consultations are also not funded by government. Departments including DSS expect the sector to participate in consultations in addition to core activities. The ACSS 2022 found that only 14 per cent of senior leaders said that their main source of government funding was adequate for engaging with government policy and reform processes, while the vast majority (82 per cent in total) said it was either unfunded (45 per cent) or underfunded (37 per cent).¹⁶ For instance, while there is a secretariat within DSS to coordinate the work of CSAG, none of the sector members of this group are resourced or funded for their related work, or attendance at monthly meetings and in-person workshops.

Another salient example of this predicament is the ongoing work of the Not-for-Profit Blueprint Expert Reference Group (BERG). The Federal Government created the BERG to "deliver advice to Government including the development of a fully consulted Blueprint charting out a better future for the Australian NFP and charities sector."¹⁷ According to DSS, "[t]he Blueprint will be used to develop a suite of sector-led workable and effective options for reform to strengthen social capital and a vibrant sector".¹⁸ The BERG is comprised of senior executives from the sector, meeting monthly since the beginning of 2023, with an extensive amount of offline work required between meetings, including participation in multiple policy workshops. However, there has been no resourcing or funding for BERG members contributions throughout the year, despite the frequency of discussions, the workload and the fact that the BERG is aimed at building a more sustainable not-for-profit sector overall. Belatedly, DSS recently committed to resource activities related to the public consultation process, nearly one year after the initial work commenced.¹⁹

Juxtaposing this situation is the government's hiring of for-profit consultancies to review major programs and activities affecting community services. Overall in 2022-23, the Federal Government spent \$3.272 billion on 'management advisory services', the fifth largest Federal procurement spend related to goods

¹⁶ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACROSS.

¹⁷ Australian Government, Department of Social Services, ['Communities and Vulnerable People: BERG Terms of Reference 5 September 2023'](#).

¹⁸ Australian Government, Department of Social Services, ['Communities and Vulnerable People: BERG Terms of Reference 5 September 2023'](#).

¹⁹ The Hon Amanda Rishworth MP, ['Creating a better future for the not-for-profit sector: have your say'](#), 1 November 2023.

or services.²⁰ Specifically, between 2012 to 2022 DSS and Services Australia engaged in 1,334 contracts, amounting to 8 per cent of all DSS contracts over that period, costing a total of \$405 million.²¹ In the same period, the Department of Health & Aged Care had 3,089 contracts costing \$543 million.²² Even the Department of Finance spent \$214.2 million in that ten-year period on 2,491 consultancy-related contracts.²³ This compares starkly to the lack of resourcing of sector participation in similar processes, as outlined above. It demonstrates that government not resourcing the sector's engagement work is not unavoidable, but a deliberate and ongoing choice.

When undertaking their work for government, consultants routinely tap into the policy expertise and service experience of the sector to inform themselves of the reality of delivering essential services to people with multiple and complex personal needs. Consultants ask for help in identifying relevant research and other literature; they seek interviews with senior personnel to draw extensively on their knowledge, institutional memory and experiences; and they ask CSOs to attend various workshops or roundtables to identify proposals and recommendations. Once again, the sector is not funded or compensated for this work, nor is it adequately engaged in the eventual findings. DSS' review of the Financial Wellbeing and Capability Activity is a recent example illustrating these aspects.

In recent months, there has been additional public scrutiny on the actions and behaviour of for-profit consultants commissioned by the Federal Government, including through the Inquiry into Management and Assurance of Integrity by Consulting Services by the Senate Standing Committee on Finance and Public Administration.²⁴ Even the Federal Treasurer acknowledged the 'substantial anger' of the Australian community regarding recent scandals involving for-profit consultants.²⁵

Ultimately, the sum of these challenges makes it much harder for government to achieve positive and enduring reform. As a result, people in most need across the country pay the price.

²⁰ Australian Government, Department of Finance, '[Statistics on Australian Government Procurement Contracts](#)', 2023.

²¹ Australian National Audit Office, '[Australian Government Procurement Contract Reporting: 2022 update](#)', Table 3.19, 2022.

²² Australian National Audit Office, '[Australian Government Procurement Contract Reporting: 2022 update](#)', Table 3.19, 2022.

²³ Australian National Audit Office, '[Australian Government Procurement Contract Reporting: 2022 update](#)', Table 3.19, 2022.

²⁴ Parliament of Australia, Senate Standing Committees on Finance and Public Administration, '[Inquiry into management and assurance of integrity by consulting services \(Consulting services\)](#)', 2023.

²⁵ Federal Treasurer, '[Transcript of interview with Patricia Karvelas](#)', ABC Radio National Breakfast, 28 September 2023.

In the following sections, we identify recommendations for reform that tackle the above challenges.

b. Create a central group for partnering with the sector

It is time to shift government's engagement with the sector from being transient, transactional and piecemeal, to a coordinated, systemic cross-government partnership, where ongoing collaboration with the sector on policy, services, funding and evaluation is structurally embedded within the machinery of the public service.

As such, ACOSS recommends that the Federal Government create a Civil Society Advisory Group that sits within the Department of Prime Minister & Cabinet, to coordinate collaboration and engagement with the sector across the Federal Government, including DSS as a leading line agency.

This Advisory Group would comprise senior public servants from relevant portfolios including both Treasury and Finance, similar to the composition of an inter-departmental committee. However, members of the Advisory Group would also include representatives from the community sector. This would help ensure the voice of the sector is better integrated into government decision-making.

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 matters that connect across government. It would be a valuable entity in undertaking systems reform and could be tasked with examining how to reform the social services system as a priority, including how to cultivate a more collaborative approach to essential services and a less competitive tendering environment, and developing more suitable funding models for the sector as a whole (see also recommendations in next section on this issue).

There is recent precedent for resourcing a central entity to examine issues relating to the sector. In the May 2023 Federal Budget, the Department of Prime Minister & Cabinet received \$19.3 million over 4 years as additional resourcing to support the development and implementation of the National Strategy for the Care and Support Economy, amongst other priorities.²⁶

Further, our proposal would not preclude the ongoing operation of community sector advisory groups within line agencies, so long as they have clear and specific terms of reference and identifiable value, such as the National Coordination Group (NCG) with its focus on crisis response and relief. Indeed, such groups would be able to feed work into the centrally coordinated Civil Society Advisory Group for the benefit of other agencies.

²⁶ Australian Government, Federal Budget 2023-24, [Budget Paper No. 2, Part 2](#), p 193.

The ACOSS proposal addresses options identified in the Issues Paper for creating a working partnership with the sector, such as the need to:²⁷

- co-create a stronger, more diverse and independent community sector by better understanding the needs, interests and perspectives of CSOs;
- use co-design approaches with the sector as standard practice;
- improve linkages across government and funding partners to streamline and minimise reporting imposts on organisations and to improve strategic insights from CSO operations; and
- develop a forward work program and platform for inclusive, effective and strategic sector engagement.

Our proposal also fits with the agenda of the Independent Review of the Australian Public Service (APS), which identifies developing 'stronger internal and external partnerships' as a priority.²⁸ This priority involves:

- transforming the APS through "a fundamental rethink of its key relationships will move the APS to solving problems in genuine partnership with ministers and their offices, civil society, business, academia, other jurisdictions, and the Australian public"; and
- creating "an expectation that great agencies and public servants engage meaningfully and regularly outside the service as part of core business."

We strongly encourage DSS to endorse and advocate for such a model, and to champion wider, structural change that sees the sector fairly brought into the centre of budgeting, policy development, service design and evaluation.

Recommendation 1:

The Federal Government create a Civil Society Advisory Group to sit within the Department of Prime Minister and Cabinet, to coordinate engagement and collaboration with the community sector on sector funding, policy and contracting reforms. The group should be composed of senior public servants from across the government as well as representatives from the community sector. It should be resourced on an ongoing basis.

c. Elevate the role of community sector in major policy processes

The sector must have a more prominent and ongoing role in major economic, social and climate policy deliberations commensurate with its significance as a major national contributor. The sector deserves to be on an equal footing with business and employer associations, unions and other similar stakeholders.

The expertise and experience of the sector should play a greater role in major policy areas such as taxation and revenue, quality essential services, industrial

²⁷ Australian Government, Department of Social Services, *A stronger, more diverse and independent community sector*, p 17.

²⁸ Australian Government, Independent Review of the APS, ['Develop Stronger Internal and External Partnerships'](#).

relations, employment, gender equality, and disaster preparedness and recovery.

The sector is critical to the government implementing its broader election commitments. It must be brought into the centre of decision making where it can help strengthen public policy development.

Recommendation 2:

Elevate the role of the community sector in major policy processes, acknowledging the significance of the sector's national contribution and its relevance to ongoing policy processes such as taxation and revenue, quality essential services, industrial relations, employment, gender equality, and climate change, disaster preparedness and recovery.

d. Resource the engagement work of the community sector

The government has an ambitious reform agenda that involves the sector at many levels. If the Consultation is to truly respect the sector's voice and move towards a working partnership, then it must commit to fairly resourcing the sector's involvement.

This is especially relevant to advisory groups, panels, taskforces or other such entities that require ongoing representation from members of the sector, participation in meetings and the like, as well reviewing official government papers. Whether these groups are permanently established such as CSAG or NCG or operate on a time-limited mandate (for example the Aged Care Taskforce facilitated by Department of Health & Aged Care), community sector members must be resourced to undertake the work in addition to their core organisational responsibilities.

Such an approach already occurs in other areas of the Federal Government. For instance, the Australian Securities and Investments Commission (ASIC) convenes the Consumer Consultative Panel.²⁹ The panel was established in 2020 to assist ASIC in identifying current and emerging consumer issues, and ultimately to sharpen the Commission's regulatory approach. The panel includes senior representatives from the financial rights section of the community sector, alongside other industries. Organisations whose staff attend as panel members are paid a sitting fee for each meeting, and ASIC pays for any reasonable travel costs associated with in-person attendance.

ACOSS recommends that a similar approach is adopted by DSS in any of its ongoing engagement with the community sector, to properly acknowledge and value requisite expertise and capabilities.

Recommendation 3:

The Federal Government should commit to appropriately remunerate and resource community sector organisations for ongoing engagement on public

²⁹ Australian Securities & Investments Commission, '[External Panels](#)', 2023.

advisory groups, bodies, panels and other authorities. This should include compensation for reasonable travel costs for in-person events. This commitment should be incorporated into relevant Departmental guidelines and policies, as well as Terms of Reference for ongoing consultative bodies.

e. Place lived experience expertise at the centre of decision making

An authentic working partnership with the community sector requires putting people directly affected at the centre of policy development, service design and related government decision making.

As outlined earlier this cohort is facing some of the worst circumstances in living memory. They are forced to survive on inadequate levels of income support, must daily navigate the complexities of bureaucratic processes such as those administered by Services Australia, and must adhere to strict requirements to access certain services, such as the mutual obligations under employment services. Some experienced terrible personal impacts during the Robodebt saga. This cohort has developed considerable expertise in the practical realities of social policy and community services, with a grounded understanding about what works and what does not.

Lived experience advocates, groups and communities should be systematically, transparently and ethically included in the partnership between government and sector. DSS, in collaboration with CSOs, should develop a detailed Human Rights Approach to integrating lived experience expertise. This is a top priority for ACOSS as it is for many organisations across the sector. Many CSOs have developed or are developing organisational frameworks to include people with lived experience in decisions which affect them. One such example is the Lived Experience Framework developed by the New South Wales Council of Social Service, which takes a rights-based approach to this issue with necessary practices, processes and supports.³⁰ The Department must work with the sector to construct a suitable framework, with necessary resources, at the Federal level.

In developing such an approach, DSS must also be mindful of the power imbalances existing between government and people in need. The Report of the Royal Commission into the Robodebt Scheme recommended Services Australia design policies and processes with an emphasis on the people they are meant to serve. DSS should adopt this recommendation and apply it holistically to DSS programs and policies.³¹ Further, DSS must also account for cohorts that experience heightened levels of disadvantage, such as Aboriginal and Torres Strait Islander peoples, people from culturally and linguistically diverse backgrounds, and people with disability. For example, the Principles for a Partnership-centred approach for non-government organisations working

³⁰ New South Wales Council of Social Service, [NCOSS Lived Experience Framework: Principles and practices for Lived Experience partnerships](#), November 2021.

³¹ Royal Commission into the Robodebt Scheme, [Report, Recommendation 10.1](#).

with Aboriginal and Torres Strait Islander Organisations and Communities demonstrate a commitment to Aboriginal and Torres Strait Islander participation in the design and delivery of relevant services. The principles require relevant communities be consulted in the development of a project and support the delivery of the project.³²

Authentic and equitable inclusion of people with lived experience expertise in government decision-making will strengthen policy development and service design, enhance outcomes in communities, and guard against major policy failures such as Robodebt in the future.

Recommendation 4:

DSS should ensure the expertise of people and communities who experience poverty, disadvantage and hardship, and who access and use community services, are at the centre of policy development and services design. In consultation with the sector and people affected, DSS should develop a comprehensive framework for including lived experience expertise, based on a human rights approach.

f. Shift away from for-profit consultants in social policy

One of the government’s election commitments included that “[t]he delivery of community services is largely not a commercial undertaking...for-profit providers should not receive funding for essential frontline services such as homelessness, domestic violence and emergency relief”.³³

ACOSS recommends that this election commitment be applied to reducing the use of for-profit consultancies or advisory services to review or evaluate social service policy or delivery. Instead, DSS should better leverage community sector and other for-purpose expertise and capability. One way of implementing this would be to amend its Grant Guidelines, or similar departmental operational frameworks.

We query the value and impact of continuing to depend on such consultants at the expense of departmental and sector capability. By building a working partnership with the sector as articulated in this submission, DSS would rely less on for-profit consultancies for additional capacity.

Our recommendation seeks to capture all organisations with public purpose missions and values, including academic, public policy institutes and associated entities in broader civil society.

This recommendation also responds to the ongoing work undertaken by the Senate Standing Committee on Finance and Public Administration in its Inquiry into Management and Assurance of Integrity by Consulting Services.

³² ACOSS, [‘Principles for a Partnership-centred approach for NGOs working with Aboriginal and Torres Strait Islander Organisations and Communities’](#).

³³ Senator Jenny McAllister, [‘Speech to ASU members, Blaxland – Restoring Respect for the Community Sector’](#), March 17 2022.

Recommendation 5:

DSS shift away from the use of for-profit and other private sector consultancies and advisory services in commissioning work related to social policy, service or program delivery. Any organisation commissioned for such work should have a clear public purpose mission, which could include academic, public policy institutes, social enterprises and similar entities in broader civil society.

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

ACOSS welcomes DSS seeking input on how to ensure grants reflect the real cost of delivering quality services from now on.

The Consultation must confront the chronic under-funding of CSOs through the departmental grants process. Federal Government funding does not meet the full costs of providing a quality service. Nor does it fund organisations to meet community need for services. Both items require serious action.

The Federal Government made an election commitment to a better funding process for the sector.³⁴ Below we outline salient financial challenges for CSOs, then our proposed recommendations to address these.

a. Grants do not cover organisational costs of service delivery

With the onset of continuous natural disasters all year round, three years of severe distress and disruption due to COVID-19 and now a sustained cost of living crisis, community services are at breaking point in meeting their own organisational costs, while also meeting steep increases in community need for essential services.

The 2014 and 2015 Federal Budgets had a devastating impact on the community sector, cutting approximately \$1.5 billion from community services and greatly reducing the sector's long-term financial capacity.³⁵

In ACSS 2022, 80 per cent of organisational leaders disagreed with the statement, 'Funding covers the full costs of service delivery'.³⁶ The proportion reporting that funding did cover full costs was just 9 per cent, representing only one in eleven respondents. Moreover, ACSS 2022 reveals just how inadequate government funding is to meet the different overheads required to maintain a CSO delivering quality essential services to people in need.

³⁴ Senator Jenny McAllister, ['Speech to ASU members, Blaxland – Restoring Respect for the Community Sector'](#), March 17 2022.

³⁵ ACOSS [Budget Priorities Statement 2016-17](#).

³⁶ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS.

Of senior organisational leaders responding to ACSS 2022:³⁷

- only 11 per cent said it adequately funded increases in wage costs;
- only 13 per cent said their organisational overheads, such as administration, management and IT were adequately funded, with the vast majority (72 per cent) reporting that these were underfunded.
- only 14 per cent of senior leaders said that their main source of government funding was adequate for engaging with government policy and reform processes;
- only 14 per cent agreed funding enables them to attract and retain quality staff;
- only 14 per cent considered funding adequate for their monitoring and evaluation functions.
- 20 per cent said their main government funding stream was adequate for employing staff at appropriate classifications; and
- 23 per cent said they were adequately funded for contract administration and reporting;
- 38 per cent reported that funding enables the organisation to meet regulatory obligations; and
- just over a third (35 per cent) rated their main government funding stream as adequate for ensuring client and worker safety.

A complete summary of sector responses on funding adequacy inadequacy compared to organisational overheads is included at **Attachment A**.

The Centre for Social Impact's *Paying What It Takes* report demonstrated that not-for-profits true indirect costs far exceed typical funding levels, with the indirect costs for such entities ranging from 26 per cent to 47 per cent of total costs.³⁸

³⁷ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS.

³⁸ The report defined indirect costs as indirect costs as costs incurred by an organisation that cannot be directly and easily attributed to a specific project. This means if the project did not exist, the organisation would likely still need to incur this cost. Indirect costs include IT, finance, human resources, learning and development, measurement and evaluation, see Centre for Social Impact and Social Ventures Australia, [Paying What It Takes: Funding indirect costs to create long-term impact](#), 2022.

b. Real value of grants deteriorates over time³⁹

Exacerbating this structural funding shortage is the ongoing inadequacy of indexation for Federal grants, which jeopardises the ongoing sustainability of CSOs.

ACOSS again commends the Federal Government for the supplementary measure supporting CSOs announced in the October 2022 Federal Budget, as well as changes to indexation arrangements generally, announced in the May 2023 Federal Budget. These are welcome initiatives that demonstrate the government's seriousness in addressing funding challenges.

However, further reform is needed on:

- transparent and appropriate methodologies to determine indexation of grants;
- clear and timely notification of how indexation is determined and applied; and
- timeliness and efficiency as to when indexation is paid.

Over ten years, there has been a sharp reduction in the real value of Federal grants over time. Many providers with multi-year grants do not even receive indexation at all and have not done so for many years. Parts of the sector missed out on the benefits of indexation changes announced in the May 2023 Federal Budget, including settlement services and community legal services; despite the significant cost increases they recently experienced. Such an outcome is completely inconsistent and inequitable for essential services.

Government indexation payments only partially meet rising costs already incurred by CSOs. Current indexation rates neither fully reimburse for increased costs met nor meet prospective costs for the following year. This increases the size of the funding gap. This is eroding the value of grants to CSOs and their capacity to meet demand for services.

Further, the way that the Department of Finance determines indexation methodologies for community services does not account for sector-specific factors. The Department of Finance develops indexation using wage and non-wage components of input costs using movements in the Consumer Price Index (CPI) as a proxy for the non-wage component. The wage cost component is now proxied by the Wage Price Index (WPI).⁴⁰ Neither of these proxies reasonably reflect real increases in costs of service delivery in the community sector.

³⁹ UWA, Centre for Public Value, [Human Services Economic Paper 1: What is Indexation?](#); UWA, Centre for Public Value, [Challenging Existing Frameworks for Price Indexation in Australian Human Services Procurement: Achieving Sustainability](#), April 2023.

⁴⁰ Australian Government, Parliamentary Budget Office, ['Indexation and the Budget'](#), March 2023; 2023 Budget Paper 1, p 199.

Applying CPI as the non-wage component for the community sector is incredibly problematic. Firstly, CPI estimates the percentage change in the price of a fixed basket of goods and services typically consumed by households. CSOs do not operate as standard households. For one, they use comparatively more professional services such as financial or legal services, as well as business costs such as IT and the leasing of office space. This is why the ABS calculates Producer Price Indexes for other industries, because CPI is just not relevant as the costs included are not relevant to the sector. As demonstrated above, these costs are not covered in grants.

Discretionary spending of CSOs is minimal. Non-discretionary spending is often completely inelastic and demand for services does not fall away with increases in costs. Non-discretionary expenditure is more representative of costs incurred by the sector, and the non-discretionary CPI is considerably higher than the CPI. Hence, CPI is an inappropriate proxy for sector cost increases.

Similarly, the WPI is a broad, economy-wide measure that does not accurately reflect sector-specific wage impacts. For instance, WPI does not include mandatory superannuation increases, organisational paid parental leave, workers' compensation payments, workforce training and development or the sector's reliance on award wages.⁴¹

Accurately recording the wage components of community services is vital. The sector's services are labour intensive. Labour typically represents between 70% to 80% of total costs across the sector, with exceptions like food and emergency relief. The sector is also a female dominated industry, with high levels of precarious employment, relatively low median weekly earnings as well as higher proportions of part-time and casual work. Artificially low or inaccurate wage-component indices result in substantial financial distress to the sector and increase the risk of service failure. It also exacerbates the workforce gender pay gap, an item of importance to the government.

Further, the Department of Finance continues to apply a 1.2 per cent productivity offset each year in determining wage cost indices, which stymies indexation being a full and realistic offset for rising costs in the sector.⁴²

Tellingly, the government has not articulated a clear understanding of what is meant by improving sector 'efficiency', even as it continues pushing an efficiency dividend onto the sector. The most recent example is the draft National Strategy for the Care and Support Economy, which discusses a 'productive and efficient care and support economy' without defining it.⁴³

The above inadequacies with indexation are felt deeply across CSOs. ACSS 2022 demonstrated that only 6 per cent of leaders perceived indexation

⁴¹ UWA, Centre for Public Vale, [Human Services Economic Paper 2: Why the CPI and WPI are not Appropriate Bases for Human Services Funding Indexation](#), April 2023.

⁴² Australian Government, Federal Budget 2023-24, [Budget Paper No.1, p79, 199, Table 6.1](#).

⁴³ Australian Government, Department of Prime Minister & Cabinet, [draft National Strategy for the Care and Support Economy](#); see also [ACOSS Submission on the draft Strategy](#) for further analysis.

arrangements to be adequate. Only 16 per cent said that all their government funding was indexed.⁴⁴

This has direct workforce implications, as noted in the below quote:

"Indexation is a huge challenge facing our sector. Cost of living pressures on staff are forcing them to look for higher paid work elsewhere, rather than remain in current roles."

CEO, health-related service, NT

There are also longstanding problems with the lack of transparency on notifying CSOs regarding indexation, and the eventual payment of funds. All too often, CSOs are operating months into a new financial year, incurring a range of higher costs, before indexation is finally paid by DSS and other line agencies.

Government, including DSS, does not openly tell organisations what quantum of money they will receive as indexation, what percentage on the grant this represents, how this has been determined, and when it will be paid. It is completely unrealistic that over-stretched CSOs are meant to plan administration, staffing and service delivery with such a dearth of relevant financial information.

There is also a culture within government where Department of Finance and the line agencies including DSS blame on each other for such an opaque culture of communication. This culture is in desperate need of upheaval.

Neither DSS, nor other departments, would act this way in procuring goods and services from the private sector. The question must be asked as to why this approach is appropriate when procuring services and supports from the community services sector.

c. Sector expects its financial situation to worsen

Without urgent action, this chronic funding problem will worsen, and more CSOs will be at heightened risk of collapse, exhausting financial reserves, reduce staffing or dramatically scaling back program delivery.

The Social Ventures Australia Partners in Recovery project similarly demonstrated that many charities operate with limited financial reserves and minimal margin, with the pandemic having a major, negative impact on their overall finances.⁴⁵ Insights from providers across the country encapsulate the acute financial pressures CSOs face each day.⁴⁶

⁴⁴ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS.

⁴⁵ Social Ventures Australia, [Partners in Recovery Project](#).

⁴⁶ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS.

"No increase to payments despite cost increases = failure imminent"
Senior manager, Disability Services, Queensland.

"There will be a time when we cannot meet increased demand. So far we have redirected funds from fee for service programs but in doing so have delayed development issues. Continued increases cannot be sustained by redirection of own funds."

CEO, provider of multiple services, Queensland

"Income is relatively stable but costs, especially wages have increased markedly. Financial planning (post pandemic/hybrid) is very difficult"

CEO, Financial, legal and emergency supports, Victoria.

"The organisation's overall income has grown (due to new programs) but viability has reduced significantly as funding does not meet the real cost of service delivery".

CEO, Provider of multiple services, Tasmania.

"We have budgeted for a loss in FY23 in order to meet the needs of our clients/communities due to increase costs of doing business. We are awaiting clarity of ongoing Australian Government funding."

CEO, Domestic and family violence service, Tasmania

Most CEOs and senior managers reported that their organisation's finances either stayed the same (36 per cent) or worsened (37 per cent).⁴⁷ Many ACOSS members now report that their organisations are in a worse financial position than prior to the pandemic.

d. Funding does not account for increasing community need

As already outlined, the level of community need for essential services continues to grow exponentially, exacerbated by government policies regarding inadequate income support, lack of social housing, and under-funding of crisis services and emergency relief. In ACSS 2022:⁴⁸

⁴⁷ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS.

⁴⁸ Cortis, N. and Blaxland, M, [Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey](#), 2022, ACOSS.

- three in five participants reported increased levels of poverty and disadvantage (61 per cent) among clients and communities;
- two-thirds of participants (66 per cent) reported that levels of demand for their main service had risen in 2022
- nearly two-thirds (64 per cent) reported increasingly complex needs among the people and communities their services support.

These issues are especially pressing for services with a focus on housing and homelessness, domestic and family violence, mental health, as well as legal and financial counselling.⁴⁹

In ACSS 2022, only 11 per cent of senior organisational leaders reported that their main funding source provided them with adequate funding to plan for community need.⁵⁰ Overall, 4 in 9 participants (44 per cent) reported that during 2022, their main service had seen increases in the numbers of people they were unable to support. Years of chronic under-investment in the sector shows providers are at the point when they can no longer do 'more with less' and maintain an effective continuity of care for people requesting help.

This is further evidenced in the following responses from survey participants, when asked about service capacity:⁵¹

- 2 in 5 (39 per cent) of participants said waiting times for their service had increased (39 per cent).
- A third (32 per cent) said their service had turned people away due to lack of capacity.
- 30 per cent reported referring people to other services due to lack of capacity.
- 16 per cent said their main service had to close a waiting list, as it was too long.

Service providers are not only grappling with their own capacity to assist people, but increasingly concerned about the inability of the service system as a whole to meet community need.

Some providers are moving more services to online, or offering support in groups rather than individually, to keep up with demand. Others are seeing

⁴⁹ Cortis, N. and Blaxland, M, [Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey](#), 2022, ACOSS.

⁵⁰ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS.

⁵¹ Cortis, N. and Blaxland, M, [Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey](#), 2022, ACOSS.

wait lists increase or having to close them entirely, referring people to other equally overstretched services, or turning people away altogether.⁵²

A more complete set of data on CSOs capacity to meet demand, and associated funding shortages, is at **Attachment B**.

It is imperative that the Consultation create a durable reform pathway to remedy these financial challenges and reduce risk in community services.

ACOSS sets out relevant recommendations below.

e. Fund the full cost involved in quality service delivery

DSS needs to ensure that all grants incorporate relevant overheads that support an organisation to fulfil contractual requirements and provide quality services.⁵³ This includes the following components:

- Management and administration;
- IT, including paid software subscriptions and cyber security;
- Finance, including risk frameworks and auditing;
- The costs of meeting regulatory compliance frameworks;
- Human resources, including the management and coordination of professional staff as well as volunteers;
- Attraction and retention of staff at the appropriate level under the Social, Community, Home Care and Disability Services Award;
- Participation in government consultations and engagement;
- Training, learning and performance development; and
- Program measurement and evaluation.

Critical in paying the full cost of services is ensuring that government funds CSOs to increase wages as determined by the Fair Work Commission. The government's recent industrial relations changes intend to improve award and minimum wages, extend job security and encourage the use of collective bargaining within the sector. Given the constraints outlined above, government must guarantee funding for CSOs to accommodate any improvements to pay, conditions and job security within the sector. Otherwise there is no residual capacity to pay future increases, exacerbating staff attrition rates across services.

Improved funding arrangements must be informed by the best evidence. The government should collect better data on social service provision, including geographically specific pricing information (for example distinguishing between metropolitan, regional and remote areas). Currently, the ABS collects data on the 'health care and social assistance industry' which includes a very broad and diverse range of services with different cost drivers. We recommend the ABS

⁵² Cortis, N. and Blaxland, M, [Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey](#), 2022, ACOSS.

⁵³ Blaxland, M and Cortis, N., [Valuing Australia's community sector: Better contracting for capacity, sustainability and impact](#), ACOSS.

develop a separate, sophisticated dataset on social services and social assistance, to give a more accurate evidence base for sector-specific costs. This would greatly improve the evidence base on costs of social service provision, for the benefit of both government and sector.

Recommendation 6:

Government should shift to incorporating into grants all relevant overheads required to support a community service organisation to provide quality service delivery.

Recommendation 7:

Government should guarantee necessary funding to implement pay decisions made by the Fair Work Commission affecting the community sector. As the main purchaser of services, the Federal Government must fund any relevant pay rises and improved workplace conditions for the community sector workforce arising from decisions made by the Fair Work Commission.

Recommendation 8:

The government should task the ABS to collect better data on social service provision including geographically specific pricing information, starting with delineating between social assistance and healthcare. This will ensure there is a better evidence base for determining costs.

f. Develop better indexation arrangements

It is equally important that the real economic value of each grant is maintained year on year to ensure services and supports become more sustainable. That requires more sophisticated indexation arrangements.

In the immediate term, government must ensure that indexation fully meets rising service costs, not a partial offset as is current policy for the Department of Finance.

Similarly, productivity dividends should be removed from the determination of indexation arrangements, and no further efficiency dividends or similar restrictions should be imposed on such arrangements.

As part of medium to longer term reform, ACOSS recommends government undertake a review of indexation arrangements of Federal grants, with particular regard to social services and the community sector. There are credible alternatives to the Commonwealth's indexation arrangements that should be actively considered. For instance, various states and territories have consistent and transparent formula for determining a rate of indexation more closely resembling real cost increases in respective jurisdictions. Given the challenges with continuing to use CPI and WPI, the government should consider comparative indexation methodologies as well as more robust and rigorous alternatives.

When indexation is determined more accurately through suitable formula, it:

- provides necessary financial support for organisations to deliver complex, essential human services;
- helps ensure service providers remain viable over multiple years of the grant; and
- reduces the risk of service failure, and the likelihood of government needing to intervene as provider of last resort to continue supporting people using services in communities.

Finally, government must commit to transparency regarding how indexation is determined, applied and paid to CSOs. CSOs need more certainty and visibility to manage their organisations and workforce, and plan operations accordingly.

Recommendation 9:

Government must develop better indexation arrangements that reflect actual increase in costs incurred by CSOs. This includes undertaking the following:

- (a) Reviewing and reforming the method by which the Federal Government determines and applies indexation to community services across government, to more accurately reflect the costs for delivering services. A review should actively consider the development of alternative methodologies and examine relevant approaches of states and territories. A new indexation method should apply consistently, transparently and equitably to organisations funded across government for service delivery and advocacy.
- (b) Not applying productivity or efficiency dividends to indexation.
- (c) Improving the transparency by which CSOs are notified about the quantum and indexation rate they receive on Federal grants, including fully publishing relevant indexation rate(s) and calculation methods in Budget Papers.
- (d) Paying indexation no later than the first quarter of a new financial year to allow organisations to adequately plan their service delivery for the coming twelve months.

g. Build the evidence for needs-based funding models

Not only must government fund the full cost of quality service delivery, it must fund CSOs to efficiently meet the level of need in the community for various services.

Our research demonstrates peoples' need for community services has increased significantly and grown more complex. Government must develop a better understanding of how the need for community services continues to change, and how to best meet these evolving needs. This requires developing a rigorous evidence base built with sophisticated population modelling combined with better use of data on service delivery in communities across the country.

Current community service grants funding programs are capped at an arbitrary level, which is not benchmarked to community need for services. These

programs largely, but not exclusively, fund services which people in financial stress or crisis rely on. As such, the level of community need is directly linked to the adequacy of other government supports and services, including income support. While, by contrast, demand driven funding programs, like childcare and aged care funding, are calibrated to changes in community need, funding models must also ensure that they are adequate to meet the real cost of service delivery, as discussed above.

Such an evidence base would greatly assist the government to scale up its investment in areas where the need for assistance is more acute both in terms of population cohorts, complexity of need and geography. This would have a positive, long-term benefit.

The government has demonstrated a commitment to better understanding and addressing entrenched disadvantage in certain locations by deploying place-based initiatives. Developing a rigorous evidence base to determine community need for social services is entirely consistent with this approach and would only strengthen its effectiveness.

Some areas of the community sector have already developed this type of evidence base and could be examined further for leading practice in research methodology and data availability. For instance, in housing and homelessness services, the peak bodies have worked with researchers to determine the number of households experiencing housing stress or homelessness, the growth of homelessness within the community annually, the gap between housing need and available supply around the country, and the number of social housing stock required to meet community need over time.⁵⁴ This type of research and analysis is required for the level of community need for essential services throughout the sector.

Recommendation 10:

Government should undertake comprehensive service needs analysis and mapping, conducted in partnership with the community sector and other relevant experts and stakeholders.

3. Providing longer grant agreement terms

Lengthening and strengthening agreement terms is one of the most practical and cost-efficient improvements government can make in working with the sector.

The Issues Paper acknowledges that only 31 per cent of grant agreements via the Community Grants Hub were five years or longer in 2022-23. In the 2022 ACSS, 43 per cent of organisational leaders said they had a contract, grant or funding agreement with government of at least five years. Conversely, 53 per cent said they did not have a single arrangement of five years or more. Those

⁵⁴ Pawson, Hal, [‘Albanese government tackles housing crisis on 3 fronts, but there’s still more to do’](#), *The Conversation*, 8 February 2023; Homelessness Australia, [Pre-Budget Submission 2023-24](#).

whose main source of funding came from a state or territory government were more likely than others to have a five-year contract (51 per cent) compared with those whose most important funding source was the Federal Government (35 per cent).

The prevalence of longer contracts across the sector still varies widely. For example, areas like housing and homelessness; financial, legal and emergency supports; and domestic and family violence and other family services are more likely to have at least one five-year contract compared to organisations providing disability services, community health or community development programs.⁵⁵

CSOs grapple with perpetual uncertainty about the future of their operations and their workforce due to inadequate contracting practices. A holistic set of reforms must:

- lengthen the average contract CSOs are awarded,
- improve the government's operational practices regarding awarding, renewal or cessation of contracts, and
- create greater flexibility within contracts for how funding is deployed in service delivery.

We outline below recommendations for reform.

a. Lengthen standard contracts for CSOs to at least five years

Short funding timeframes continue to make it more difficult for organisations to plan their operations, to attract and retain staff, and to deliver long-term positive outcomes for people accessing community services for help. Some organisations are perpetually stuck in a cycle of insecure, short-term funding commitments, which have major flow-on effects on their capacity to juggle complex contracts, provide staff with job security, and to plan for the future.

ACOSS considers contracts of at least five years to be leading practice. In certain cases, longer agreements, such as seven-year agreements, are preferable for service delivery. In ACSS 2022, five-year contracts were already more common in housing and homelessness services, domestic and family violence services, and financial, legal and emergency supports than other areas of the sector.⁵⁶ However greater applicability and consistency is needed as an immediate improvement. The Federal government continues to fall well short of leading practice as the primary procurer of community services.

⁵⁵ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS.

⁵⁶ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS.

Recommendation 11:

Increase standard contract lengths for community sector grants to at least five and preferably seven years for most contracts; and 10 years for service delivery in remote Aboriginal and Torres Strait Islander communities.

b. Improve contractual arrangements and practice

Managing contracts is particularly challenging when government funders offer minimal notice of the renewal, granting or cessation of a contract. This remains an endemic problem across multiple Federal departments.

Sector leaders have repeatedly told ACROSS for years that insufficient notice on contracts impede the functioning, productivity and effectiveness of their organisations for the long term. It means CSOs are continuously operating in an uncertain environment where they do not fully know their future.

Quotes from senior leaders at CSOs demonstrate how frustrating this is for the sector:⁵⁷

"My biggest bugbear is...the early notification of either ceasing or continuation of the contract. It's a massive thing to manage...I'm going to have to do three different budgets for us because there are [different] scenarios...It just doesn't work for good continuation and opportunity of service."

Medium carer support service provider

"We are funded often on an annual basis. Sometimes it might be two years, it might be three years...A large number of the services that we deliver are based around a 12-month or 24-month cycle, so you get to the kind of eleventh month of the year and...you're not quite sure whether you're winding down services, whether you're going to have to build sustainability into the program, etcetera...You're always constantly looking at the ground in front of you, you can't look further ahead."

Community health service provider

"I'm often... worried about having to make staff redundant because I haven't had confirmation on funding for the next year...I say this every year, it will probably resolve itself. But it's a lot of unnecessary worry and planning and a distraction for the board when they should be looking at strategy."

National peak body

Government should adhere to a higher and more transparent standard in the notification of contractual decisions to CSOs, whether that is granting funding

⁵⁷ Page 13-14, ACSS 2021

for a first time, renewing an agreement, or concluding an agreement with a CSO and requiring the transferral of services to another organisation.

This is pertinent to the government's legislative changes to the use of fixed term employment contracts in *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022*, an employment agreement used regularly within the community sector. Government must commit to better contracting practices if it wants CSOs to be able to reduce their reliance on fixed term contracts. Otherwise, the sector will be forced to spend more time, energy and resources on working through complex employment arrangements with staff without the requisite funding or contractual certainty.

Given the challenging present environment and the high level of need in the community for assistance, more consistent and clearer contractual processes will greatly assist CSOs to focus more on core operations and less on contract administration.

Recommendation 12:

Improve contractual arrangements for CSOs through:

- (a) an amendment to grant rules to ensure that service providers are given at least six months' notice of any renewal or cessation of funding. Where this cannot be achieved, and services are ceased, a contract extension of at least 12 months is provided;
- (b) including contract provisions that allow an organisation to request additional funding where a contract is not renewed to manage the transition of services to another provider;
- (c) working with CSAG to develop model standard contractual clauses that support operational agility and improve transparency, consistency and equity in funding contracts used across the Federal Government with the sector.
- (d) more transparency, so that where funding has been transferred from one provider to another, they are made aware to facilitate the referral of service users; and
- (e) an 'Industry Fund' to resource retraining, redeployment and other supports for workers displaced by major reform programs.

c. Improve operational flexibility for CSOs in contracts

Accompanying improvements in contractual lengths and operational practice must also be ensuring that Federal contracts build in much greater flexibility for CSOs to achieve intended outcomes over time. This is especially important during emergencies and disasters such as COVID-19 or catastrophic natural disasters.

Contracts should provide CSOs with more autonomy in determining how funding is allocated within a service or program. Throughout our research, community sector leaders continue to point to contractual restrictions on the

use of funding, or a lack of clarity about how funding can be spent. Improved control over how funding is spent will help CSOs better respond to people accessing services. For instance, CSOs should be able to build working capital reserves to re-invest at suitable intervals into their organisation and its services.

Such flexibility should also encourage CSOs to innovate to improve service quality and ensure the life and wellbeing of people using services is substantially improved for the longer term. Contracts still tend to be overly prescriptive and focused on inputs, even the roles of specific staff within an organisation. Encouraging greater innovation is vital if CSOs are to be as efficient and productive as possible. CSOs should be empowered to trial, test and adjust their approach to service delivery, within reasonable limits, without running the risk of being in breach of specific contractual requirements.

Within a more flexible contractual framework, it is vital that neither DSS nor the government more broadly repeat the failures of previous outcomes-based models such as the *Job Network* model in employment services.⁵⁸ While ACROSS strongly supports improved flexibility in contracting, it is important to develop suitable incentives in service systems, to prevent any provider gaming the system, pursuing short term financial gains over the interests of people using services to build a better life. Determining the right incentives and intended outcomes requires government working in partnership with the sector as well as people accessing and using services, as articulated earlier.

Improved flexibility to innovate can also be linked to evaluations or reviews of service delivery at key milestones in the span of a contract. This is an important aspect of CSOs providing services on behalf of government. Evaluations embedded within contracts can strengthen service delivery over time, so long as they are not unnecessarily burdensome or disruptive to service providers or people accessing services.

Finally, given the dire state of funding for CSOs, as articulated earlier, contracts must examine and address rising costs year on year. There is a material risk that longer agreements embed inadequate rates of funding and/or indexation that result in CSOs being financially worse off over the life of the agreement. Given the ongoing volatility in the operating environment for CSOs, it is vital that longer contracts build in review points examining the cost of providing quality services.

Finally, government should collaborate with the sector in developing model contractual clauses that give effect to the elements outlined above, and to ensure that such clauses are embedded consistently and widely in funding arrangements across various line agencies.

⁵⁸ ACROSS, [Reform of employment services and mutual obligations: House of Representatives Select Committee on Workforce Australia](#), 13 march 2023.

Recommendation 13:

Apply further flexibility to funding arrangements, including:

- (a) specifying outputs, person-centric outcomes and activities in contracts rather than inputs;
- (b) permitting organisations that deliver services more efficiently to “keep” surpluses and redirect them to service delivery rather than return them to consolidated revenue;
- (c) including contract provisions that organisations faced with serious impacts from natural disasters (including pandemics) can redirect funding to meet agreed alternative services; and
- (d) assessing whether the contract adequately covers changing costs over time, including in the payment of indexation annually.

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

ACOSS firmly believes that DSS, and the government more broadly, should better commit to working with and funding a range of organisations, small, medium and large. This includes organisations working to support people experiencing poverty, disadvantage and hardship as well as universal services such as childcare and aged care, which support the wider community. Better investment is also required in organisations that help specific cohorts within the community, such as newly arrived migrants, people who identify as LGBTQIA+, older people, people with disability and Aboriginal and Torres Strait Islander peoples.

This requires government changing the design of service systems and shifting from its reliance on poorly performing markets. The expansion of social service markets over the past thirty years has, at best, achieved mixed results for people relying on services in the community and is a policy experiment with fundamental limitations.⁵⁹

Part of the government’s commitment to greater diversity must also be to strengthen its investment in community peak bodies and advocacy organisations. These organisations are a vital part of the policy development process and help government to be able to improve the lives of people across the country.

We explore both issues below.

a. Shift away from market-based service systems

As demonstrated by recent public investigations into aged care, vocational education and training and other areas, there have been a litany of systemic

⁵⁹ Considine, Mark, *The Careless State: Reforming Australia’s Social Services*, Melbourne University Press, 2022, p 203.

failures and inadequacies with markets in social services, which has had a detrimental impact on us all, but especially on the lives of those experiencing poverty, disadvantage and hardship. The common, structural dilemma with social service markets is succinctly put by Professor Mark Considine AM:

"This system produces a low-average model with some core characteristics. The owners of the services seek to increase their margins by de-professionalising the service and stocking it instead with poorly paid and untrained staff. Because they all do it and because they are all paid the same rate by the government, they face no market risk if they run a service that conforms to a poor minimum standard. Only the truly dreadful get noticed by the regulators."⁶⁰

The Federal Government seems incredibly slow to explore credible alternatives. The most recent example is the draft National Strategy for the Care and Support Economy, which doubled down on its intention to use market-based models to deliver relevant services and ignored considerable evidence to the contrary.

Markets typically require competitive tendering and inherently pit one organisation against another. They stifle collaboration across providers and suffocate opportunities for innovation and leading practice exchange. As a result, plurality and diversity within a service market are limited.

For-profit providers play an overbearing role in complex social service systems and their operations tend towards profit-maximising behaviour at the expense of people using services and workers. Their influence on service systems generally are thus pernicious.

Market-based regulatory frameworks are regularly manipulated to maximise government payments to providers without delivering positive, lasting outcomes for people using services, such as providers carefully selecting certain clients to support (also known as creaming or skimming). There are significant inadequacies when government relies on certain performance measurement initiatives such as star ratings and incentive payments for additional assistance to vulnerable people using services.

Similarly, market-based systems leave major gaps in service delivery, failing especially in regional, rural and remote areas, or with highly vulnerable cohorts.

Despite the theory, in practice individuals accessing and using services within a market system seldom have control over the quality of services and cannot simply change provider if they are dissatisfied. People using services can only

⁶⁰ Considine, Mark, 'Choice versus voice: Why money won't fix Australia's broken social services model', *Inside Story*, 22 June 2023; for a full examination see also Considine, Mark, *The Careless State: Reforming Australia's Social Services*, Melbourne University Press, 2022.

determine service quality by experiencing the service, at which point it is often too late to advocate for better service or change service options.⁶¹

The Consultation is an important opportunity to ensure that DSS, and the government more widely, are actively redesigning service systems so that better quality services are delivered, underpinned by a greater proportion and diversity of CSOs. This again is consistent with the government's election commitments to the sector to prefer not-for-profit service delivery.

As the main funder and regulator of services, there is a role for government in improving the quality of services by facilitating better innovation, research and leading practice exchange between providers within a service system.⁶² This must include developing alternatives to market-based systems, as well as identifying and benchmarking providers achieving positive and lasting outcomes for particularly vulnerable people.

Again, the experience and expertise of the community sector will be critical in redesigning systems and exploring alternatives to competitive tendering processes. This type of work could also be coordinated centrally across government, as ACOSS recommends earlier in the submission.

Creating more collaborative and enabling systems will empower a greater diversity of CSOs with the capabilities to deliver better tailored, quality services to people in need.

Finally, part of this pivot should comprise government rebuilding its own expertise regarding the design, delivery and evaluation of services by being better connected to the service system it funds and regulates. Government requires improved capability, acumen and experience in providing care and support services. If government performs such a role, it will ensure providers have higher standards founded on transparent, user-driven, community care. The Federal Government's decision to establish a central evaluation function within Treasury, to provide leadership and improve evaluation capability across government, is an important next step in better evaluating the impact of government policies and programs.

Recommendation 14:

Government should shift away from using failed market-based approaches to service delivery and collaborate with the sector to explore credible alternative systems that encourage collaboration, practice exchange and innovation as well as improve the quality of services for people.

⁶¹ Considine, Mark, *The Careless State: Reforming Australia's Social Services*, Melbourne University Press, 2022, pages 197-198.

⁶² Considine, Mark, *The Careless State: Reforming Australia's Social Services*, Melbourne University Press, 2022, pages 206-7.

b. Properly fund community peak bodies and advocacy organisations

Prior to the election, the government recognised that advocacy is a key component of the work of the community sector.⁶³ The sector is responsible for advocating to improve the economic and social systems. This includes universal services such as early childhood education and care, aged care and disability services, as well as systems supporting people experiencing poverty, disadvantage and hardship. Collectively, peak bodies ensure that the voices of people using services, and marginalised people are heard in Canberra on social services, health, law and justice, family violence, gender equity, climate change, immigration, early childhood education and care, housing, homelessness and unemployment to name critical, whole-of-government priorities.

The Albanese Federal Government has regularly sought the expertise and advice of community organisations in the review of programs, development of policy and design (or redesign) of services. The increased level of engagement has been warmly welcomed by the sector. Ministers and departments invite community sector leaders to sit on taskforces, advisory groups and panels because of the quality of leadership and expertise they offer. They have requested peaks and advocacy organisations attend ministerial roundtables and workshops, provide evidence at Royal Commissions, and contribute case studies as well as expertise in senior policy meetings. The government also expects input from the sector regarding important draft legislation central to its policy agenda.

As a result, the work of peak bodies and advocates is demanding, intense and unrelenting. As an example, ACOSS participates in a number of advisory groups, panels, taskforces and other advisory entities at the request of the Federal Government and its regulators. In addition to CSAG and BERG, this includes ongoing involvement with the following:

⁶³ Senator Jenny McAllister, '[Speech to ASU members, Blaxland – Restoring Respect for the Community Sector](#)', March 17 2022.

- Economic Inclusion Advisory Committee (EIAC);
- Department of Human Services Community Sector Advisory Group;
- Department of Employment Services Advisory Group;
- ACNC Sector Users Forum;
- Fair Work Commission Minimum Wage Advisory Group;
- DCCEE Energy Equity Work Program Stakeholder Reference Group;
- National Emergency Management Agency (NEMA) Charitable, Not-for-Profit and Philanthropic Strategic Group;
- National Emergency Management Agency (NEMA) Charitable, Not-for-Profit and Philanthropic Roundtable; and
- Charitable, Not-for-Profit and Philanthropic Roundtable hosted by the National Resilience Taskforce.

This is not an exhaustive list.

Throughout 2023, ACOSS has spent almost 50 hours participating in CSAG and BERG monthly meetings, the equivalent of more than a full week of one staff member working full time. This estimation does not include resources spent consulting members, reviewing meeting papers, minutes, iterations of discussion papers and the like.

Further, one ACOSS member, itself a small, national peak body, is requested to sit on four Federal Government advisory bodies and one Federal compliance organisation. Contributions to these entities require regular meeting attendance (often at short notice), reviewing large numbers of documents prior to each meeting and substantive policy input into the department.

The government can no longer expect peaks and advocates to sustain such regular and intense engagement, depending on our help to deliver reform, without better resourcing.

Over the previous ten years, core funding was cut to a range of organisations, including those representing Aboriginal and Torres Strait Islander people, LGBTIQ+ people, children and young people, refugees and migrants, people in housing need, or experiencing or at risk of homelessness and people accessing adult community education. Many other organisations suffered real cuts to their funding because they received little or no indexation (as outlined earlier). With current inflationary pressures and relevant wage increases, this pressure has become wholly unsustainable.

The Federal Government has already begun to remove or nullify the effect of gag clauses in Commonwealth-funded service contracts. It now must properly strengthen its investment in community peak bodies and advocacy organisations or risk losing the expertise, advocacy and advice of such groups in the medium term.

Recommendation 15:

Properly fund community peak bodies and advocacy organisations to better undertake their critical systemic advocacy and engagement work. This requires an investment of at least \$30 million per year to such organisations.

5. Partnering with trusted community organisations with strong local links

ACOSS welcomes a renewed commitment by government to look for new ways to partner with organisations that have strong local links with communities across the country, including to tackle entrenched disadvantage. Persistently high levels of poverty, disadvantage and inequality should be completely unacceptable in a country as wealthy and prosperous as Australia. Our country has the fourth highest wealth in the world.⁶⁴ Undeniably, we have the means to tackle entrenched disadvantage far more substantively than we are at present.

ACOSS acknowledges that place-based initiatives, such as those identified in the Issues Paper, are one effective approach to helping people experiencing acute disadvantage. Our members deliver place-based initiatives and offer government considerable service and research expertise in how to deliver such programs impactfully.⁶⁵

As part of the government's focus on partnering with trusted community organisations with strong local links, we strongly advise it to improve its investment in the sector's capacity to prepare for and respond to natural disasters, given that Australia lives in an era of continuous and compounding severe weather events. Locally-based CSOs are now a vital part of the national response to emergencies.

Secondly, any focus on place-based approaches to disadvantage will be largely ineffective without significant improvements to levels of income support and a better access to social housing.

We explore both these points below.

a. Support CSOs to be ready to respond to disasters

Responding to disasters is now a core responsibility for many community services. Organisations provide goods, equipment, clothing, shelter, counselling and advisory services for people navigating trauma. Demand for these services remains high and not just in the initial aftermath of an event, but for months and years to come. There are disproportionate impacts on particular cohorts, including First Nations peoples, people living with disabilities, as well as culturally and linguistically diverse groups.

The sector's core services, which enable it to respond to emergencies and disasters require significant enhancement and investment from government. In ACSS 2022, Only 7 per cent said their main funding source was adequate for

⁶⁴ ACOSS and UNSW, Poverty and Inequality Partnership, '[Inequality in Australia 2023: Overview](#)'.

⁶⁵ Macdonald, Anna, '[Systemic improvements needed for place-based work, say community groups](#)', *The Mandarin*, May 3 2023.

preparing for and responding to emergencies and disasters.⁶⁶ This issue is now more pressing given the high likelihood of multiple, compounding natural disasters in the coming summer period.

CSOs responding to disasters are themselves directly affected by disasters. Workers and volunteers are impacted personally, and local offices damaged. Deloitte Access Economics estimated that the 2019 Queensland floods cost at least \$2.3 billion in health, social and community impacts, which included hardship applications, calls to recovery hotlines, mental health supports, and outreach services⁶⁷ Disasters can also worsen entrenched disadvantage in certain locations already experiencing higher levels of poverty, disadvantage and hardship.

ACOSS welcomes the government's Disaster Recovery Funding to help communities respond to disasters and the new Disaster Ready Fund to help communities prevent and build resilience to disasters. However, a specific funding stream focused on improving the core capabilities of the community sector should complement or be integrated within the Disasters Recovery Funding and the Disaster Ready Fund, to ensure the community sector has the capacity, capability and readiness to prepare for and respond to disasters, as part of the overarching national approach to readiness and risk reduction.

We believe community sector funding streams are a missing piece in the Government's emergency and disaster readiness strategy and would ensure those responding on the ground are enabled to do so more efficiently, effectively and cohesively.

Consideration of the sector's disaster preparedness and capability should be an essential component of the Consultation, given the government's commitment to enhancing place-based approaches.

Recommendation 16:

The Federal Government should create:

- (a) a permanent enabling fund to complement the Disaster Ready Fund, so community services have core funding to improve preparedness and improve response and recovery due to disasters.
- (b) a permanent flexible contingency fund within disaster recovery funding arrangements, so community services in affected disaster areas can replace

⁶⁶ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS.

⁶⁷ Deloitte Australia, ['The social and economic cost of the North and Far North Queensland Monsoon Trough'](#), 16 July 2019, p 26-27.

equipment, support workforce constraints, and meet increased demand during disaster response and recovery efforts.

b. Tackle entrenched disadvantage through systemic change

The most effective and lasting way to tackle entrenched disadvantage, reduce the level of poverty in Australia, and ease pressure on community services is to make major investments in income support and social and affordable housing, as well ensuring strong investment in universal services with a focus on prevention and early intervention.

The potential impact of place-based initiatives will be severely limited unless such approaches are supported by such meaningful systemic change by the Federal Government.

We have already seen the transformative impacts of adequately raising income support. Without the Coronavirus Supplement, income poverty would have doubled in 2020.⁶⁸ In June 2020, 9.9 per cent of people were below the poverty line, compared with 11.8 per cent in 2019 and 22.7 per cent who would have been in poverty in June 2020 without the new income supports.⁶⁹

The Coronavirus Supplement reduced poverty sharply among people on income support. Poverty among people in households on JobSeeker Payment fell by four-fifths, from 76 per cent in 2019 to 15 per cent in June 2020. Poverty among people in sole parent families (both adults and children) was reduced by almost half, from 34 per cent to 19 per cent.⁷⁰

Equally, tackling unmet housing need will have a major positive effect on entrenched disadvantage. The latest figures indicate current unmet housing need is approximately 640,000 social and affordable housing dwellings and projected to be 1 million dwellings by 2040. Direct public investment is a cost-effective and efficient way to fund social housing. More substantive investment, at scale, is necessary to meet the need for social and affordable housing.

Ensuring people on income support can afford the essentials of life, and have a decent place to live, will create a lasting, major, national social dividend that cannot be replicated in place-based approaches. It will also reduce the need for crisis services.

⁶⁸ ACOSS and UNSW, Poverty and Inequality Partnership, [Covid, inequality and poverty in 2020 & 2021: Build back fairer report no. 3](#), March 2022.

⁶⁹ ACOSS and UNSW, Poverty and Inequality Partnership, [Covid, inequality and poverty in 2020 & 2021: Build back fairer report no. 3](#), March 2022.

⁷⁰ ACOSS and UNSW, Poverty and Inequality Partnership, [Covid, inequality and poverty in 2020 & 2021: Build back fairer report no. 3](#), March 2022.

Recommendation 17:

Government should:

- (a) raise the rate of working age income support payments to at least \$76 a day to be in line with the pension; indexing payments in line with wages, as well as price increases, at least twice per year; and establishing disability and illness, and single parent supplements; and
- (b) make housing affordable for people with low incomes by committing to a 10-year pipeline of social housing investment; and increasing Commonwealth rent assistance to reflect rents paid by lifting the maximum threshold for CRA by 50%, which would double the payment received.

Conclusion

ACOSS stands ready and eager to assist the government in the implementation of the above recommendations, to truly build a stronger, more diverse and independent community sector.

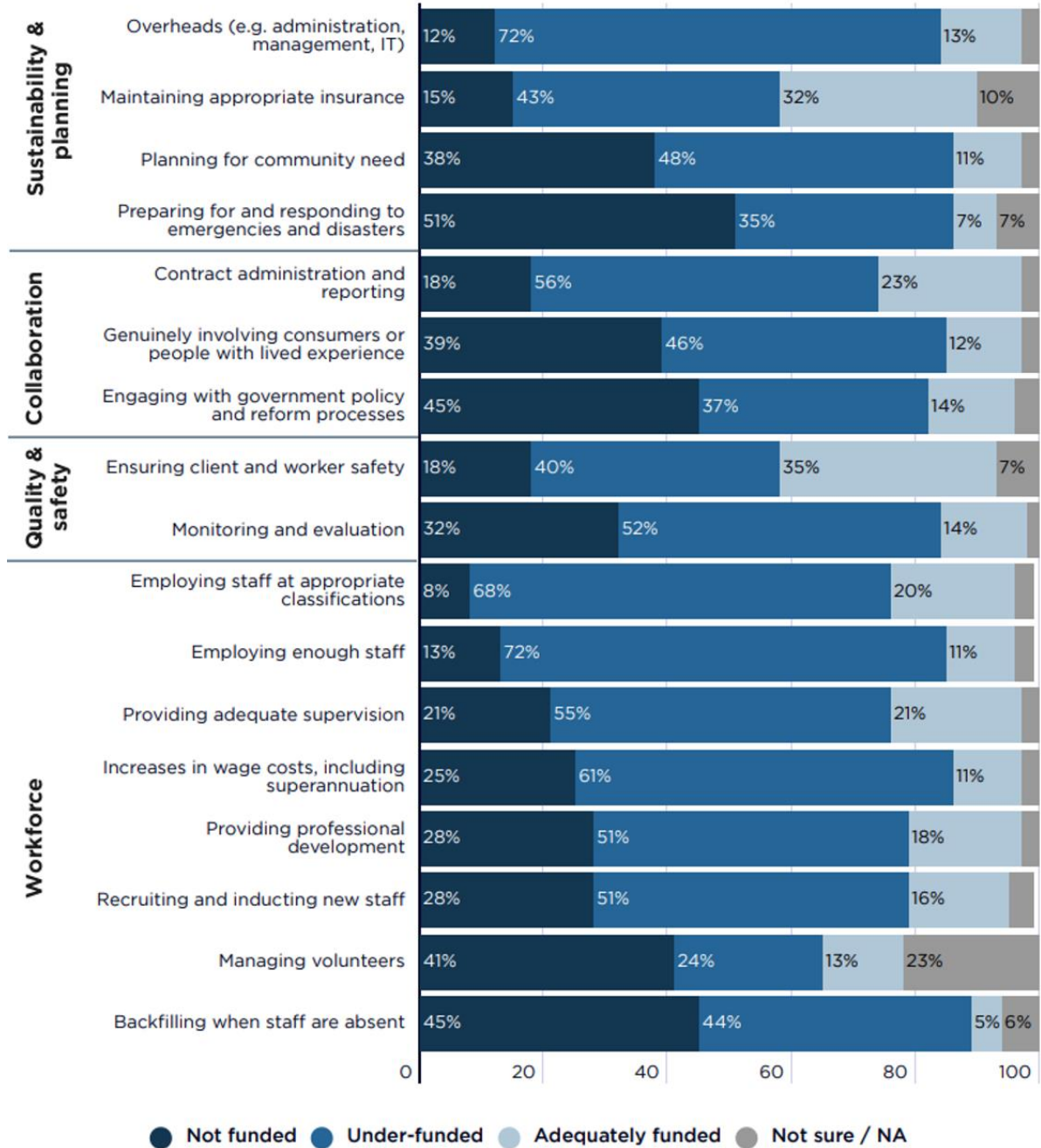
Achieving this outcome requires sustained collaboration with the sector, and commitment to a durable reform pathway over parliamentary cycles. But the case for action has never been more necessary or more compelling.

It is clear to the sector and government what must now be done. The Consultation must spur major reform along the lines articulated in this submission.

Tinkering or inaction poses a fundamental risk to government, the sector and especially people accessing community services to build a better life.

Attachment A

Australian Community Sector Survey 2022, senior sector leaders' views on whether funding covers different aspects of their organisation⁷¹

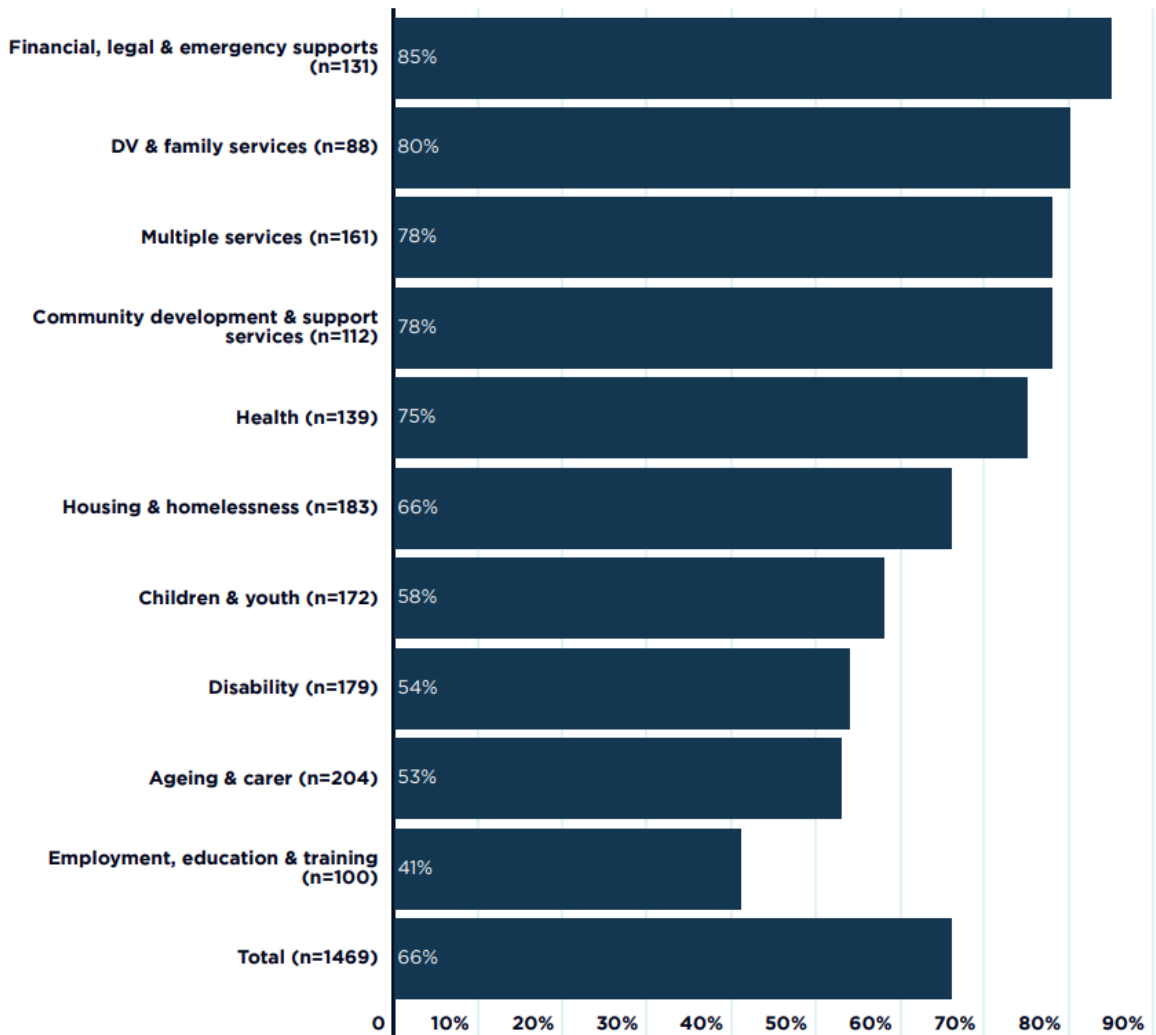


⁷¹ Cortis, N. and Blaxland, M, *At the Precipice: Australia's Community Sector through the Cost-of-living Crisis*, 2023, ACOSS.

Attachment B

Figure 1

Australian Community Sector Survey, proportion of respondents who reported increased levels of demand for their main service, by service type.⁷²

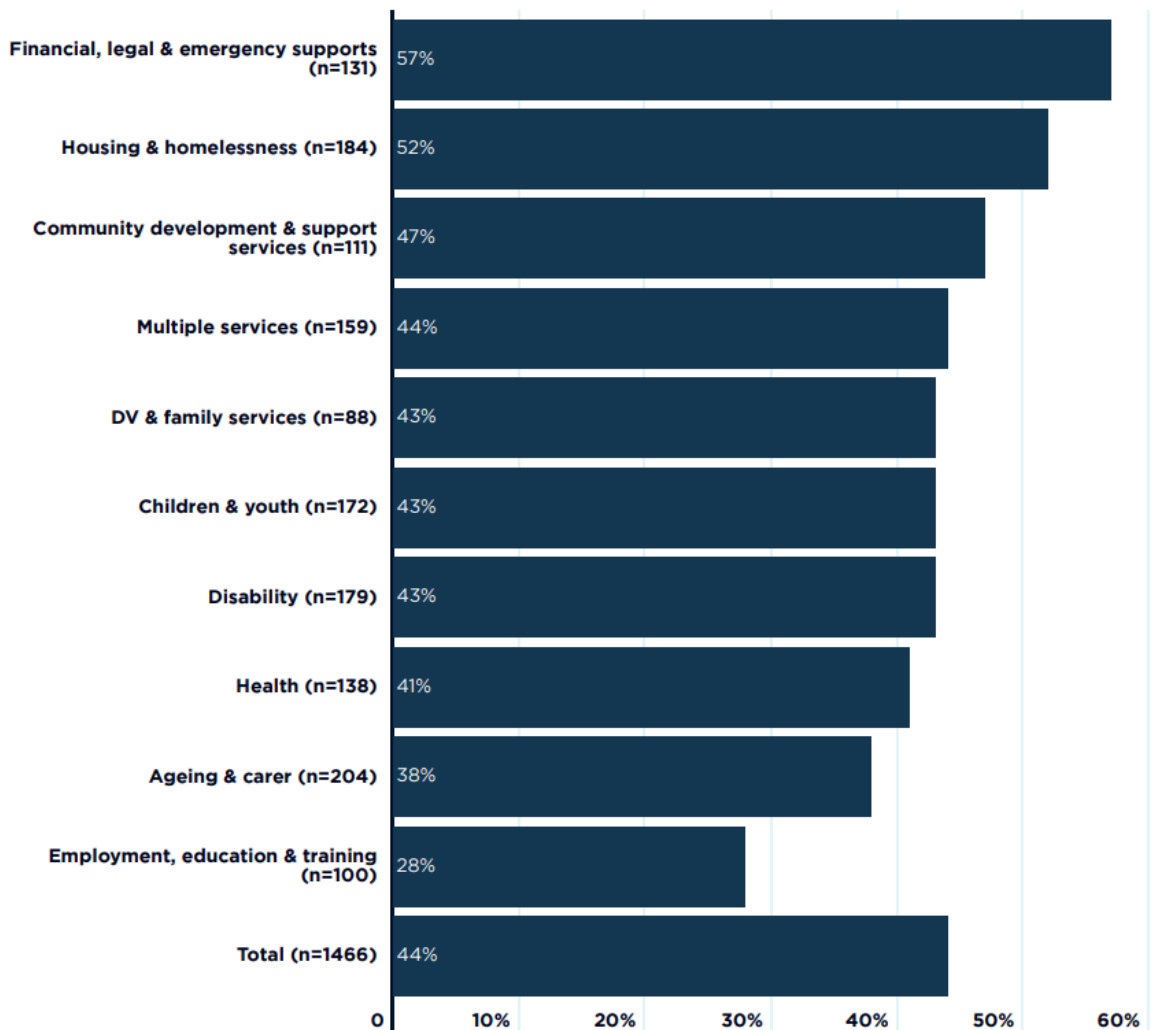


Note: Those in the category 'multiple services' were involved in delivering several different types of services and were unable to select a main service focus.

⁷² Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS, Figure 4.2, p 22

Figure 2

Australian Community Sector Survey, proportion of respondents who reported increases in numbers of clients the service could not support in 2022, by main service type.⁷³



Note: Those in the category 'multiple services' were involved in delivering several different types of services and were unable to select a main service focus.

⁷³ Cortis, N. and Blaxland, M, [At the Precipice: Australia's Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS, figure 4.3, p 24.

Figure 3

Responses from organisational leaders to the statement, “Funding enables us to meet community demand”, by main service type.⁷⁴

	Disability (n=20)	Ageing and Carer (n=16)	Health (n=28)	Children and youth (n=42)	DFV and family services (n=27)	Employment, education and training (n=4)	Housing and homelessness (n=33)	Financial, legal and emergency supports (n=24)	Community development and support services(n=31)	Multiple services (n=75)	Total (n=300)
Agree	5%	31%	18%	10%	7%	25%	6%	4%	19%	12%	12%
Neutral/ not sure	10%	13%	14%	7%	15%	0%	18%	8%	10%	15%	12%
Disagree	85%	56%	68%	83%	78%	75%	76%	88%	71%	73%	76%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note: The question asked participants to answer in relation to their most important source of government funding ^ Those in the category ‘multiple services’ were involved in delivering several different types of services and were unable to select a main service focus. Note that columns may not sum to 100 due to rounding.

⁷⁴ Cortis, N. and Blaxland, M, [At the Precipice: Australia’s Community Sector through the Cost-of-living Crisis](#), 2023, ACOSS, Table B.8