

**A. Questions taken on notice**

**1. a. Could VCOSS please provide any details to the Committee in terms of quantifying the compliance costs of NPAs and its impacts?**

VCOSS does not have sufficient data to quantify the compliance costs of NPAs incurred by community service organisations. In general, compliance costs for community services funded via NPAs are not significantly greater than for other services funded directly from the Victorian Government. Significant additional compliance costs are more likely to be incurred by Victorian Government agencies than community service organisations.

However, an issue potentially applying to NPAs, is different programs that fund similar services often have vastly different reporting requirements. This situation frequently occurs where services are funded by different levels of government, but also between different government agencies, and sometimes even within different funding programs managed by a single agency. Some community organisations may receive funding from dozens of programs, and must maintain complex systems of reporting to track different data items, reporting requirements and submission channels for each program for essentially the same services. This unnecessary complexity in reporting imposes significant staff costs in administration and for the maintenance of complex data systems for reporting, with many elements having unclear purposes.

VCOSS is aware that there is some duplication in reporting requirements for some NPAs, although the impact is likely to be small. For example, Specialist Homelessness Services provide data to the Australian Institute of Health and Welfare through the Specialist Homelessness Information Platform (SHIP) client management system on a monthly basis. VCOSS is aware that some services have been asked to provide the same information direct to the Victorian Department of Health and Human Services. However, as this is emailed in a simple format, the additional costs are minor.

**b. Could VCOSS please provide any details on what is currently being done to help minimise the compliance costs of NPAs?**

VCOSS is not aware compliance costs for community service organisations are any greater for services funded through NPAs than other funding. However, community organisations report that they are seeing an increase in compliance costs. While the majority of compliance costs are incurred in relation to performance monitoring and quality of service provision, others relate to the administrative side of organisations.

For example, the 2012-15 Service Agreement (under which DHHS and DET fund community sector organisations) increased compliance costs around record keeping by seeking to ensure a higher minimum standard of record keeping than previously required. VCOSS has worked with the Department of Health and Human Services and the Department of Education and Training to improve the 2015-19 Service Agreement to reduce the compliance costs associated with it. While good progress has been made, there is room for improvement in future agreements.

The establishment of the Australian Charities and Not-for-profit Commission (ACNC) has provided a further avenue for reducing compliance costs of community organisations. Among its objectives, the ACNC is tasked with reducing red tape for



registered charities, and is in the process of negotiating with other Commonwealth agencies and State and Territory Government to streamline reporting arrangements through its 'Charity Passport'. The Victorian Government could help reduce compliance costs for community organisations by becoming a Charity Passport Partner, enabling the ACNC to share information with Victorian Government agencies, so organisations could report once to the ACNC, knowing that other agencies would have the necessary information.

## **B. Questions arising from the submission**

### **1. Could VCOSS please provide details of any analysis being done of the impact of program changes as a result of NPA funding cuts, on the cost of living for Victorians, in particular concession card holders**

VCOSS is not aware of specific work being done measuring the impact of program changes as a result of NPA funding cuts on the cost of living for Victorians. However, we can articulate some of the observed or expected impacts from recent changes.

Regarding the impact on concession card holders, it is our understanding that the Victorian government has chosen to fund the shortfall resulting from the Commonwealth Government's withdrawal from the NPA on Certain Concessions for Pensioner Concession Card and Seniors Card Holders. VCOSS applauds this decision, as by doing so, any impact on the cost of living has been avoided.

Concession card holders may have been affected in other ways. The deferral of the NPA on Public Dental Services resulted in funding uncertainty and an increase in the waiting lists for these services. As public dental services generally require a concession card for eligibility, this group is likely to have experienced longer waits and the associated discomfort with untreated dental problems. Alternatively, it may have increased their cost of living if they sought alternative private treatment. We understand the NPA has now recommenced, albeit at a slightly lower level of Commonwealth funding, however, it again expires in June 2016.

Similarly, reduction in funding to other health and legal services may have financial consequences for concession card holders, if they result in a greater burden of disease which increases healthcare cost or impedes earning income, or if legal issues with financial consequences remain unresolved or people must pay for private legal advice.

### **2. Could VCOSS provide details and some specific examples in relation to uncertainty around responsibility for funding services between different tiers of government?**

The introduction to the VCOSS submission to the Inquiry referred to uncertainty around responsibility for funding services between different tiers of government. The uncertainty referred to relates to decisions by the Commonwealth Government whether or not to continue funding NPAs resulting in a shift of responsibility for funding to the states and territories (e.g. National Partnership Agreement on Preventative Health and the National Partnership Agreement on Certain Concessions for Pensioner Concession Card and Seniors Card Holders).



More generally there are many areas of services where both the States and Commonwealth fund human services, either directly or through National Partnership Agreements. These include numerous health and education services, housing and homelessness services, legal services, child and family services, alcohol and drug services, mental health services, services for older people, services for Aboriginal and Torres Strait Islanders, services for migrants and refugees, financial counselling services, and disability advocacy services. Many of these are undergoing significant changes in the inter-governmental responsibility, for instance, the introduction of the National Disability Insurance Scheme, or the transfer of Home and Community Care services to direct Commonwealth government management. The Discussion Paper released as part of the Federation White Paper process discusses other potential changes in responsibility, such as devolving responsibility for housing and homelessness to State and Territory governments.

With so many service delivery areas subject to funding from both levels of Government, either jointly or separately, leads to confusion about which government is appropriately responsible for meeting unmet need. VCOSS members report, for example, that there is often a misalignment of funding in terms of the location of services funded by different levels of government, which fail to take into account the location of services funded by the other government. While on the one hand, some VCOSS members report it can be useful for both levels of government to be involved, as if one level is unresponsive, the other level may be prepared to provide funding. However, ultimately, a more systematic solution is required, such as the Councils of Social Service 'community service guarantees' discussed in our response to question 5.

**3. Could VCOSS provide details of any analysis being done to quantify what the increases costs of service provision for homelessness and legal assistance services are and the impacts when NPAs do not adequately fund to keep pace with demand and do not consider adequate indexation?**

Both the NPA on Homelessness and the NPA on Legal Assistance Services are not currently indexed in line with increases in either costs or demand. The current extension until June 2017 of the NPA on homelessness appears not to be indexed at all, with the Commonwealth forward estimates showing no change in funding from 2014-15 levels. The greatest cost driver for community services is wages, with workers often paid at or near award wages. Minimum wage determinations by Fair Work Australia have increased wages for these workers by 2.5 – 3.0 per cent each year for the past few years. In addition, community sector workers covered by the *Social, Community, Home Care and Disability Services Industry Award 2010* are subject to Fair Work Australia's Equal Remuneration Order (ERO) providing additional wage increases until 2020. Most community organisation, including those funded through NPAs receive supplementary funding to cover ERO wage increases, but importantly, these do not cover increases due to minimum wage increases.

The review commissioned by the Commonwealth Attorney-General's Department of the National Partnership Agreement on Legal Assistance Services compared the existing indexation arrangements to other cost indexes and demand indexes and found that indexation did not keep pace with either unit cost or service demand



growth.<sup>1</sup> As a result, for example, while funding for Aboriginal Legal Services has steadily increased it has failed to keep pace with population growth leading to a decline in per capita funding.<sup>2</sup> However, it is difficult to describe the current impact of inadequate indexation on organisations, separate to the funding cuts they are also experiencing. Examples of the impact of funding cuts are contained in the Productivity Commission report at section 21.4.

Inadequate indexation means funding cuts in real terms. As community organisations' greatest expenditure is on its workforce, any reduction in real funding levels inevitably means job losses. Staff reductions mean the workforce concentrates solely on meeting numerical output targets, and have less time for service innovation and planning, quality assurance, collaboration, and training and development opportunities. This erodes the level of professionalism people can receive from community organisations, and means staff are less aware of collaborative opportunities to work with other organisations to provide a seamless service offering, meaning more disjointed service and increased duplication as organisations become more disconnected from the activities of others around them. Ultimately, this means that organisations are less able to help people overcome the disadvantage they experience, and will result in more people experiencing problems for longer.

Not only do NPAs rarely provide increased funding over time to recognise population growth, they often fund activities that cannot meet present demand. Several studies have found that community services are unable to meet demand. For example, the ACOSS Community Sector Survey found that 72 per cent of legal service providers and 51 per cent of accommodation services were not able to meet demand.<sup>3</sup> Similarly a National Association of Community Legal Centres survey found that across the 74 CLCs in Australia, 33,616 people were turned away in 2012-13. 14 per cent of respondents reported that they had to turn away more than 1,000 people.<sup>4</sup> For homelessness services, the Australian Institute of Health and Welfare reports in Victoria in 2014-15 there were 24,521 instances where requests to homelessness services for assistance were not provided.

Unmet civil and family legal need can trigger larger and more complex legal problems, and place unnecessary pressure on the justice system and other government services.<sup>5</sup> The Productivity Commission found that quantifying the effect of the underfunding of civil legal assistance services is not straightforward. They found that an immediate injection of \$200 million per year is required Australia wide to maintain existing services of Legal Aid Commissions, Community Legal Centres and Aboriginal and Torres Strait Islander Legal Services, relax the legal aid means test and provide grants of legal assistance in areas of law where there is little assistance currently available. It was proposed that the Commonwealth contribution to this injection of funds would be in the order of 60 per cent.<sup>6</sup>

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<sup>1</sup> Allen Consulting Group, *Review of the National Partnership Agreement on Legal Assistance Services Final Report*, prepared for the Australian Government Attorney-General's Department, 2014, p. 19.

<sup>2</sup> Productivity Commission, *Access to Justice Arrangements*, Inquiry Report NO. 72, 2014, p. 703.

<sup>3</sup> Australian Council of Social Service, *Australian Community Sector Survey*, 2014, 2014, p. 19.

<sup>4</sup> National Association of Community Legal Centres, *Memorandum to the Productivity Commission: Access to justice arrangements inquiry*, December 2013.

<sup>5</sup> Productivity Commission, *Access to Justice Arrangements*, Inquiry Report No. 72, 2014, p. 781.

<sup>6</sup> Productivity Commission, *Access to Justice Arrangements*, Inquiry Report No. 72, 2014, p. 738.



The Victorian Department of Justice and Regulation's review of Access to Justice is an opportunity to further examine the extent and impact of unmet need and funding gaps.

**4. Could VCOSS provide details of any analysis being done to quantify the impacts of a lack of forward planning of services on Victorians due to funding uncertainty?**

The lead up to the expiry of the NPA on Homelessness was illustrative of the disruption funding uncertainty causes for organisations. On 23 March 2015, the day the then Social Service Minister, The Hon. Scott Morrison MP, announced an extension of funding for the NPA, 30 CEOs of major homelessness organisations had arranged a 'crisis meeting' to discuss the devastation their organisations were facing should the extension not occur.<sup>7</sup> Organisations need to give at least 3 month notice to staff on contracts, and may experience unanticipated calls on reserves to make ongoing staff redundant. Staff members understandably often resign to change to more stable employment arrangements, draining valuable skills and experience from organisations. The immediacy of the impact of funding cessation diverts the attention of organisations to advocacy for funding continuity and planning for the possibility of winding-up programs and ceasing staff contracts, instead of improving and developing their services, as they cannot make future plans for them.

More generally, this situation occurs for all short-term funding contracts or fixed term funding programs, where extensive time and resources are spent on seeking funding renewal or alternative funding sources for services without long-term funding certainty. These resources could be better spent focussing on the needs of people experiencing disadvantage and improving the quality and accessibility of services.

**5. Could VCOSS elaborate further on the issues associated with Commonwealth Government transfer payments and how the process might be improved?**

In a federal system of government like Australia's there will always be a need to share responsibility for service provision between governments to ensure that essential community services (health, education and welfare services) are equally accessible regardless of income or location. This includes universal services, such as primary health care, and targeted services that are dependent on a person's needs and resources, such as affordable housing.

In October 2015, the Australian Council of Social Service and the State and Territory Councils of Social Service released a statement on reform of the federation. The statement proposes that there be clearly defined areas of 'core' and sole responsibility. Areas of shared responsibility should be based on legislated 'community service guarantees' to ensure universal access to affordable essential services for people across the country. The statement also sets directions for tax reform to help pay for these guarantees.

Community service guarantees would specify a set of services that are available to all who need them regardless of income or where they live. The Commonwealth Government would be responsible for ensuring that guarantees and related

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<sup>7</sup> Council to Homeless Persons, Homelessness and family violence CEOs hold crisis meeting as funding uncertainty threatens the jobs of over 200 frontline workers, Media Release, 23 March 2015

outcomes are achieved, while State and Territory governments would be responsible for planning and delivery of the services.

The full paper is available at:

[http://www.acoss.org.au/wp-content/uploads/2015/10/COSS-federation-framework\\_FINAL.pdf](http://www.acoss.org.au/wp-content/uploads/2015/10/COSS-federation-framework_FINAL.pdf)