

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry Into The Impact On Victorian Government Service Delivery Of Changes To National Partnership Agreements

Melbourne — 17 November 2015

#### Members

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#### Witnesses

Ms Emma King, Chief Executive Officer, and

Mr Llewellyn Reynders, Policy and Programs Manager, Victorian Council of Social Service.

**The CHAIR** — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the impact on Victorian government service delivery of changes to national partnership agreements. All mobile telephones should now be turned to silent. I would like to welcome Ms Emma King, chief executive officer of the Victorian Council of Social Service, and Mr Llewellyn Reynders, policy and programs manager.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege. The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, any PowerPoint presentations and handouts will be placed on the committee's website as soon as possible. Witness advisers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

Before giving witnesses the opportunity to make a very brief opening statement of no more than 10 minutes, followed by questions, I did want to put on the record that for a number of years I was the president of KPV, subsequently Early Learning Association Australia, and Emma was our CEO. Emma and I go back a long way, but I want to put that on the public record. Emma, over to you.

**Ms KING** — Thank you very much, and thank you very much for the opportunity to present today as well. By way of background, I am assuming you probably have some knowledge of VCOSS, but just by way of introductory comments, VCOSS is a peak organisation for the community sector. We advocate specifically around the elimination of poverty and disadvantage, hence our particular interest in the national partnership agreements. We are a member-based organisation, and our membership is extremely diverse, I guess reflecting the overall nature of the community sector. Our members range from very small, voluntarily run organisations to very large, multimillion-dollar organisations across a spectrum of services, be it health, housing, transport et cetera. So it is a very broad perspective.

In our submission we did focus particularly on four national partnership agreements that we think are particularly relevant to the community sector and the people that the community sector works with, notwithstanding that we recognise there are a broad raft of others that we can comment on as well. I guess the ones that we have paid particular attention to over recent times have been the national partnership agreement on certain concessions for pensioners and senior card holders, the agreement on preventative health, the agreement on homelessness and the agreement on national quality agenda for early childhood education and care.

In those and in other broader national partnership agreements as well we very much note that when we are looking at important social policy goals, looking at that nationally consistent approach, we need that nationally coordinated approach to be effective and to ensure different levels of government work together, but we recognise at the same time, looking at the history of the way those agreements have played out, that sometimes that has operated in a way that is less than ideal. But in terms of looking at the clear components of what we believe will deliver a more equitable and inclusive society, the NPAs can really assist in the development of coordinated social policy, particularly if they include clear purpose, greater certainty, appropriate funding and accountability, with agreed goals and targets.

In our experience the cooperative processes have been most effective when they are based on very strong evidence and have strong cross-sector support, including the community sector and local government. They have also been effective when they are used to promote or focus on early intervention and innovative services, such as the national partnership agreement on preventive health. NPAs also have the potential to provide very targeted financial support to state governments to improve the quality, consistency and quantity of services for people facing poverty and disadvantage.

Many VCOSS members and other community organisations do receive funding through national partnership agreements to assist and benefit Victorians, particularly those who are living on low incomes or experiencing disadvantage. However, VCOSS is concerned that recent commonwealth government decisions to remove funding through a range of national partnership agreements, including preventative health and on closing the

gap, have the potential to put vulnerable people at greater risk, entrench disadvantage and fragment what is an already overstretched service system as it is.

In summary, and leading from our broader submission, there are three key primary concerns we have when we come to national partnership agreements. First of all is that funding and indexation provided to community organisations through national partnership agreements is generally inadequate. Demand for many services is growing, but the funding through national partnership agreements has either stagnated or it has actually declined in real terms, which has had a significant impact on our members. Indexation of funding has been lower than the growing cost of service provision, which has resulted in a decline in the real value of funding, and this results in fewer services to vulnerable community members and greater pressure on already well-overstretched community sector organisations as well.

For example, homelessness services have experienced considerably increased demand, but there has been no additional funding through the national partnership agreement on homelessness to grow their services. Another example is that the productivity has found a significant justice gap, if you like, and 72 per cent of community legal services report unmet demand, but they are actually expecting a cut to funding in the next two years of the national partnership agreement on legal assistance services.

What we are observing is that national partnership agreements are very much being used to transfer responsibilities between different levels of government and to address financial consequences of commonwealth government decisions. That is something we are seeing play out in a variety of ways. For example, when we look at the NPA on concessions and the fact that it was introduced in 1993 by the commonwealth government to part pensioners as well as full pensioners, that decision was made by the commonwealth government and resulted in considerable costs being transferred to state governments. However, over time we saw the value of the funding under the NPA declining as well as inadequate indexation that actually did not match the real growth in demand. At the same time we then saw the commonwealth government cease the NPA on concessions in 2014–15, and it left the Victorian government in a situation where it either had to pay for the consequences — the additional costs — or simply leave people with higher and unexpected out-of-pocket costs. We note that the state government stepped in to meet that, but it had considerable costs at a state government level.

Thirdly, what we are seeing is a situation of uncertainty that is too often being created by delayed and short-term decisions about the continuation of national partnership agreements. At the grassroots level services are unable to very much guarantee that they are going to be ongoing and available to vulnerable people. We have seen this cause quite a lot of confusion, a lot of distress and a loss of trust. Often services are in a situation where they simply cannot accept new clients because they do not know whether their funding is going to be ongoing or whether it will cease. We know that in many instances that is putting people at risk of health crises or putting them at risk of homelessness. Staff are then often seeking alternate employment as well because they simply do not have that job security that they would otherwise be expecting. We are seeing that lead to a loss of expertise and capacity in the sector as well.

One example would be the decision to continue the NPA on homelessness, which was only announced by the commonwealth government in late March 2015, despite the fact that there was an expiry date of June. There was a real anxiety in the sector about what that would mean and whether the agreement would actually be extended. At the most extreme level we have seen agreements that have been ceased without warning or midway through successful programs. For example, the NPA on preventative health was terminated in 2015, despite the fact that it had been extended to 2018. Many of the Healthy Together Victoria programs are going to cease, leaving communities that have greater risk of chronic disease and poor health at a greater risk overall.

I guess that is a broad overview, if you like, of the national partnership agreements. I would like to add in that alongside the national partnership agreements we are seeing other things play out simultaneously. At the same time as we have seen this real uncertainty with the national partnership agreements, lack of keeping pace with indexation et cetera, we have also seen a significant cut to the DSS budget overall with the commonwealth government, and we have watched that play out in local communities as services are cut in very real terms to communities. That is occurring at the same time as there is considerable uncertainty and lack of an adequate funding in the national partnership agreement. It is just worth touching on that broader context as well.

**The CHAIR** — We heard evidence earlier today talking about the prescriptive nature of some of these NPAs, particularly from the federal government, and that sometimes you can have lesser amounts of money

coming to the state from the federal government but almost like a disproportionate level of reporting requirements. From your members' perspective — those who might be in receipt of funds for this — have they experienced a high level of compliance costs in relation to running some of these programs, and if so, can you quantify what that might be?

**Ms KING** — Yes, I can. Perhaps if I start with some general comments around compliance. Cost is a considerable issue for community sector organisations, and quite often, to be frank, if you looked at the amount of money that was spent simply dealing with compliance costs that could actually be pushed into delivering services, it is certainly weighted in the wrong direction. Often we find as well that because community sector organisations will be in receipt of different streams of funding at the same time, they are often fundamentally having to jump through the same set of hoops, often about 40 times, to be able to meet the compliance needs for their organisation.

We have been in discussions with a number of our organisations around how we are looking at capturing some of this data in more detail so that we can use that in our advocacy work, because at the end of the day the red tape, for want of a better term, is costing a significant amount of money. It impacts on service delivery at the end of the day as well. So we would say that the administrative burden that is attached to meeting the reporting requirements of the national partnership agreements is generally onerous.

To compare it to the ACNC and the fact that the ACNC is looking at a kind of report once, use often-type process, we think there are better ways of actually being able to collect data and making sure that organisations are quite correctly transparent in terms of looking at their use of funding. We are not advocating in any way that that should not happen, but it should really be that report once, use often-type approach rather than continually having to report on a wide variety of measures, which simply requires additional staffing time and takes away from service delivery at the end of the day. I do not know whether you want to add to that in any way, Llewellyn.

**Mr REYNDERS** — I do not think so.

**The CHAIR** — You can take this on notice, and I suspect it will depend on the organisation, but are you able to quantify roughly how many cents in the dollar you might be looking at as a range in compliance costs?

**Ms KING** — One of the things we have actually spoken about at length with our members, because it has come up, particularly through ACNC, where we looked at that as what might actually be an opportunity to reduce red tape burdens, is perhaps looking to partner with a philanthropic organisation so that we are in a position to collect greater data. One of the challenges of organisations is that they are so busy reporting that they actually do not have time to then stop and collect data. We have had conversations. For example, FamilyCare in Shepparton is one organisation that has spoken to us about this constant burden of continually reporting against a broad range of requirements and how we can look to minimise that. We have had conversations with Justice Connect around how we might be able to do some work together so that we actually can quantify it in more detail. We do not have that information at hand. We can try to seek some information from our members and perhaps get that back to you in writing, but it would not be perhaps of the detail that you are looking for. I just want to flag that at the outset.

**The CHAIR** — That is fine. I think it would just help in terms of trying to round out that picture. If the federal government gives \$100 to the state, and the state then has to spend \$10 administering the \$100 and then it gives \$90 to the sector, but the sector then has to spend another \$10 on compliance, \$100 quickly becomes \$80, and you just wonder what the benefit is and if there is a better way. Anything that you can give would be helpful.

**Mr MORRIS** — Just pursuing that point, we heard this morning from Treasury that when the national partnerships were first mooted it was really about streamlining the system — my words, not theirs — and minimal reporting requirements, and we have seen since increased reporting requirements. I think the secretary of DTF agreed with me to some extent that the commonwealth department is trying to deal themselves back into the discussion in terms of controlling their funds. But there is also the example of the homelessness NP, which was the subject of a performance audit from the audit office. There were three recommendations, and all of them were about tightening up the process and making the states more accountable, particularly around whether we in fact hold the money and pay on progress rather than paying up-front, all of which, from an audit office, is reasonable. Somehow as policymakers we have got to strike this balance between the two. The

extremes that you are getting at are just that — extremes. I guess it is a very general question, but where do we go, how do we get that accountability for public funds — which we must have when we are spending other people's money — without loading up the organisations that are actually delivering the services?

**Ms KING** — I think that there is some greater work that could be done in this area. That is why we were keen to look at the ACNC as a model. When you think that it covers more broadly — —

**Mr MORRIS** — Sorry, can you just explain that to me. I am not familiar with it.

**Ms KING** — In terms of looking at the national charity regulator, the Australian not-for-profit charity — I have forgotten the acronym.

**Mr REYNDERS** — The Australian Charities and Not-for-profits Commission.

**Ms KING** — Thank you very much, Llewellyn. If you like, all charities are required to be registered with the ACNC. States are at different points of progression with this — some states have fully signed on; other states have not. The idea around the ACNC in the first instance was that charities would go through a particular compliance framework demonstrating that they were compliant and demonstrating that they were transparent et cetera. Having to go through that compliance framework meant that the public could have confidence that they were genuinely a charity. So a number of organisations have lost their charitable status by virtue of the fact that the ACNC has looked into their work and found that actually they do not meet requirements that they need to meet in order to be deemed a charity.

It brings a great deal of public confidence to be able to say that an organisation is genuinely involved in charitable activities. There is a range of information that they must provide to the ACNC in order to be identified. There is a public register, so as an ordinary citizen you can go on and see whether someone is registered as a charity et cetera. Really, the idea is that it is a one-stop shop, so that as a consequence an organisation goes through a range of compliance mechanisms, the idea of it being over time that it is report once, use often. I think there are some lessons that can be learnt from that more broadly when we are looking at whether it be agreements or broader requirements overall.

One of the challenges that community sector organisations have is that because we often receive our funding from a variety of different sources for a variety of different lengths of time — often for one year — and the compliance regulations are quite high, it is looking at what is a reasonable balance between the two. Certainly in feedback we have had from our members today, it is very much around if we are audited, as we should be — you are absolutely right; the public should have confidence and the government should have confidence that money is being spent for the purpose for which it is given and that expected outcomes are met. But we should really be moving towards a system where you report once or be audited once and being able to use that across a variety of different reporting mechanisms, rather than have continual auditing systems that are moving through organisations and placing an onerous burden.

At the end of the day we are all taxpayers. We want to know that our money is being used very effectively. We want to know when services are being delivered to vulnerable and disadvantaged Victorians that as much of that money is going through to that service delivery as humanly possible, rather than having an organisation undergoing its 15th audit in a relatively short space of time. So I think there is a balance to be met, and I would say at the moment I think the balance is too far in terms of being continually audited. In what I think is a very risk-averse environment, too much money is going down, if you like, the auditing path rather than looking at service delivery and being smart about how we use limited funds and having that kind of report once, use often-type approach.

**Mr MORRIS** — If I could just pursue that, successive auditors-general in Victoria have been very keen to get what they call 'follow-the-dollar' power. You are probably familiar with that argument.

**Ms KING** — Yes.

**Mr MORRIS** — If the Parliament were convinced to go down that track — and I do not know anyone who is not reasonably supportive of going down that path — would it be reasonable to try to develop and adopt a minimal set of reporting measures, for want of a better word, but with the knowledge that the Auditor-General

could knock on the door at any time, in terms of not necessarily doing a full financial audit of the organisation but a performance audit of how effectively the money is being spent?

**Ms KING** — We were fortunate enough to interview all the political parties before the previous election and we had certainly heard that all were committed to a follow-the-dollar approach. I think it comes down to also looking at, if you like, the size of the organisation et cetera and the capacity to be able to respond to a knock on the door. I think again there is a balance between being transparent, and that is quite critical in terms of being transparent around expenditure of public funds and meeting public expectations et cetera. But at the same time I guess my hesitation around the knock on the door at any time is some organisations would need some time in terms of making sure they can prepare, because we often have quite small voluntarily run organisations that are impacted as well, so it is about what reasonable processes would sit around that.

**Mr MORRIS** — ‘I’ll kick the door in, and we’ll see your records now’ sort of thing. There is a much more sophisticated approach here, being in principle.

**Ms KING** — In theory, absolutely.

**Dr CARLING-JENKINS** — Thank you, Ms King, for coming in today, and also for the submission, because it was outstanding — absolutely outstanding — and I found it extremely helpful. As someone whose office is in Wyndham, for example, you really hit on a very good example there with Healthy Together. I would like to first pursue some of the comments that you made in your opening remarks around workforce insecurity. It really bothers me that people commit themselves to the training that is involved in becoming a psychologist, for example, and forgo Francesca, a lot of other perks to work in community organisations and then they are faced with this insecurity.

A couple of the comments you made were around loss of expertise and loss of capacity, and I would like for you to tease that out a little bit more for me so that we can get that on the record. In that, also if you could describe the mood of services, because you would be so close to that heartbeat at the moment. I am just imagining that in this kind of environment it is stifling expansion and possibly innovation. If you could just make some comments around that, I would really appreciate it.

**Ms KING** — Absolutely, and if can perhaps start by saying as well I think one of the challenges is when we look at the community sector, people often do not recognise the broader contribution the community sector makes to the Victorian economy. So overall a \$13 billion return to the community, around 97 000 workers — that is probably a conservative estimate, but that is taken from the ACNC data — and also about 135 000 volunteers is the breadth of the sector.

One of the challenges we have — you are quite right in terms of touching on this — is people often give up a range of other perks to follow probably more of a values-based career path in working in the community sector. It is extremely challenging when people are being employed often on contracts that may be renewed annually. It is a transient sector by virtue of the fact that people do not have the job security that they would have if they signed up to work in another area. People are often signing up to jobs that they know there is only a contract in place for a year. It is not necessarily down to their employer as to whether that contract will continue or not by virtue of the fact that it is through a funding agreement that is in place for a limited period of time.

What we find then is at the end of the day people have to pay their mortgages, and they need to meet their other financial obligations. We know that a number of people who are engaged in the sector, as it is coming towards the end of their contract, particularly, for example, in the case of the NPA on homelessness, where it was so close to the end date when it was renewed, left the sector to seek work in other places simply so they could meet their financial obligations. The insecurity was simply too great. That is a significant issue in our sector, and it is also a significant issue because one of the great things about our sector is that it is growing.

It provides enormous employment opportunities, particularly as NDIS is occurring et cetera as well. So while that might sit outside of the national partnership agreements, it is actually a sector in which there are enormous implement opportunities, and I think we really need to look at how do we attract and how do we retain the best and the brightest, rather than having people work in a sector that is often characterised by insecure and often quite precarious employment in a way that we simply do not want to see. We would prefer that there be much greater security around funding streams not only for the workforce but also for the people who use services, so that that concern about, ‘Will that service be there tomorrow?’ — —

**Dr CARLING-JENKINS** — Continuity.

**Ms KING** — Yes, and, ‘Can I get access to a particular service when I need it?’. Particularly looking at a growth area such as Wyndham, for example, knowing that there is already such an extraordinary strain on services, and looking at data that ACOSS collected approximately a year ago. As it is, frontline services cannot meet about 80 per cent of the demand on their services. We know that the national partnership agreements have an impact on that, and if we are then having a workforce that is regularly turning over, that is obviously going to have an impact on services that are provided at the end of the day as well.

**Dr CARLING-JENKINS** — Thank you. Could you just —

**Ms KING** — And I did not touch on the mood of the services as well.

**Dr CARLING-JENKINS** — Yes, the mood of the services, thanks.

**Ms KING** — In terms of looking at it, I am fortunate enough to be able to visit a variety of services. We see an enormous amount of pride in the work that people do, in the services that they are delivering often to cohorts that are doing it really tough. People generally work in our sector because they are very committed to making a difference. They have an enormous amount of pride in that.

However, perhaps to draw a parallel, if we were to look at the changes that were made — this is not national partnership agreements — to mental health and drug and alcohol services just over a year ago and the recommissioning process that took place by virtue of that, what we saw was that fundamentally 50 per cent of the workforce was on the move, 50 per cent of services were on the move and 50 per cent of clients were on the move.

We are coming out of a system as well that has been characterised by a great deal of uncertainty, and our challenge in that was saying, ‘Well, we know that a number of the workers will leave the workforce — they will move into hospitals or the private sector to get more security of employment — but at the end of the day, what happens to those people who drop out of the system?’. If they have been connected to a service where they have had that connection over time — it might have taken quite some time to build that connection — they are not simply going to go to a new provider and have it happen overnight; it is more complex than that.

My answer to the mood of service would probably differ depending on the type of service you are going into — whether it is homelessness, mental health et cetera — and that in part is characterised by the history that that particular component of the sector would bring with it. I do not know if there is anything that you want to add to that, Llewellyn.

**Mr REYNDERS** — Just to expand on that point, the central proposition of community services is that they work with people through a therapeutic relationship. The ability to connect, to establish rapport, to establish trust with a client, is the central mechanism by which community services assist people to change their lives. When administrative and procurement processes almost presume that that relationship can be picked up in one place and plonked in another, it misses, in fact, where the value of the community sector is being generated and where the good of the sector is being done.

Certainly one of our pleas across many different areas of service provision is to look at ways, when you are looking at evolving the service system, to ensure that those therapeutic relationships can remain intact, because you potentially cause more harm through that process than you generate by changing the way the service works.

**Ms KING** — And it also picks up, I think, when we look at early prevention and intervention, irrespective of which aspect you are looking at, whether it be early childhood, homelessness et cetera, we know that early intervention and prevention actually saves money at the end of the day. So one of the challenges is where they are missing people in early intervention and prevention simply because they cannot access a service or they drop out. We do not then pick them up until they are at the tertiary end, which is clearly not good for people themselves, but it is a more expensive model overall as well.

**Dr CARLING-JENKINS** — Sure. Thank you very much; I appreciate it.

**Ms WARD** — I agree with Rachel; it was a great submission, thank you — really useful. On page 2, in the introduction, down the bottom, you say that:

National partnership agreements can assist the development of coordinated social policy but need to be managed in a responsible and coherent manner.

Can you give us examples of where that may not be happening and how you can see that being improved?

**Ms KING** — One example would be to look at the early childhood agreement that pertains to 15 hours of kindergarten provision for all children in the year before they enter school. We saw in that area — and I mention it particularly because I had worked in the sector prior to coming to VCOSS — that because of the timing in which kindergartens take their enrolment for the following year, at the time in which services were taking their enrolments they actually did not know whether they were going to be providing 15 hours of service or 10 hours a service for each child for the next year.

That impacted on enrolments, it impacted on staffing and it impacted on budgets for the services. They did not know which money was flowing through. There are other services that may have been offering, for example, 12 hours rather than 15. So there was an enormous amount of uncertainty that was in place. The agreement was only finalised very shortly before the end of the calendar year, and that had huge implications for every kindergarten service around the whole of Victoria, because they did not know what they were going to be offering for the following year.

It was an enormous disruption for all families who were wanting to enter the kindergarten system for the following year — that would be one example — whereas if that had been, first of all, sorted out earlier in the calendar year, but secondly, for a longer period of time, that would have resolved that issue. I guess also the funding component is another aspect there as well, because from a state's perspective, you are always looking at, 'What are we going to be left with, and how do we pick up the tab for whatever the federal government doesn't come in and cover?'. Often those decisions are made, the deals are done at pretty short notice for the states, and they are trying to do the best deal they possibly can, but then they are worried at the same time about, 'We want every child in the state to be accessing 15 hours of kindergarten', and that is happening. Looking at the broader impact that had across the whole community as well, that would be one example.

**Ms WARD** — This is going to be a challenge to answer, and I recognise this. It is probably, 'How long is a piece of string?'. But with partnership agreements, we see that some of them are for a couple of years, and some of them are for longer. What are the challenges in trying to implement agreements and really make a lasting impact or change within people's lives depending on these time frames? Do you get frustrated with these time frames? Do you think that there is a conversation that can be had with the commonwealth and with the states to try to work through a more systematic approach around time lines?

**Ms KING** — I suspect we are not the only ones at this table who get frustrated at the time lines. We absolutely do get frustrated at the time lines — for example, when we have got one-year national partnership agreements. The early childhood space is a perfect example of that. It sorted out a problem, if you like, for one year, albeit sorting it out very late, but you know you are going to be at the table again in another month or two trying to sort it out again. I think it is an incredibly inefficient use of time. There is a lack of security. Irrespective of which of these areas of the national partnerships you are working in, the lack of surety in being able to work those through undermines, I think, the intention of the agreement. If you get one for a year, you know you are back at the table in two months time really negotiating for the following year. It is not good practice; whereas at least if we can lock in an agreement for a longer period of time — at worst three years — there is a greater degree of consistency there, particularly if we are looking at delivering results.

National partnership agreements should be based on evidence. It is very hard to gather the evidence if you have got a very short-term agreement and you are back at the table two months after you have really finalised the first one. There needs to be a more robust process that sits alongside that. I think irrespective of which party is in power at a state level, we have certainly heard the frustrations from all parties at a state level in having those agreements from a national point of view, and I guess the lack of commitment in terms of knowing what forward planning government then does in terms of looking at forward projections in budgets et cetera as well and wanting to deliver services over time.

**Ms WARD** — How much of your staff's time do you think is spent on these kinds of negotiations or on addressing prescriptions that have come from the commonwealth?

**Ms KING** — It is probably a combination. When we look at our time in addressing these consultations, we are mindful that the consultations are held by state government, so for us it is looking at how we work in with state government and how our counterparts, ACOSS, work in with federal government at the same time. We try to work to the best possible outcome we can get. I am mindful in terms of the level at which the agreements are negotiated and therefore what our space is within that agreement, if that makes sense.

**Ms WARD** — Yes, it does.

**Ms KING** — Which is quite different to a departmental level. But often departments will be looking to us for how they can provide evidence along the way. I have to say over time departments have worked very constructively with VCOSS to look at how they build that evidence base over time, which has been a very positive thing. I do not know if there is anything else you want to add.

**Mr REYNDERS** — Just to add that, again, that kind of uncertainty also occupies a lot of time of our member organisations, and also of their advocacy. Particularly when there are one and two-year extensions, basically those parts of the sector are on tenterhooks and are spending all their energy running to stay still. In terms of what is the best way to use our community services organisations to generate benefits for the community, it is not continuously advocating and worrying and pre-planning for different scenarios in the organisations. It is actually having some stability under them which they can use to innovate to deliver better service and to engage more deeply with their clients.

**Ms KING** — That is a point probably to emphasise around that. There is no capacity to innovate where it is being underfunded et cetera. If things are underfunded, as they are, it is often then quite difficult. We think that national partnership agreements should be very much based on strong evidence. It is often very difficult, where we are underfunded for service delivery as it is, to be able to actually then collect that evidence along the way and undertake that really robust evidence process that should be informing what is very good, sound policy and practice.

**Ms WARD** — At the level where you are engaging, is there the ability to have some flexibility or some manoeuvrability when you see that a program could be tweaked a certain way or that it is better if you adapt it another way, so that you are going to get the outcomes that you are really striving for? Do you have that flexibility?

**Ms KING** — That is a great question, because often we do not, and that is a real frustration. Fundamentally organisations are funded to deliver X and they can say, 'Really, money is being used for this, but we think if we were to be able to use it over here, we believe we can deliver a better outcome'. Often that is not an option that is made available, and that is one of the increasing frustrations that we have — let alone not being funded enough to meet service need as it is. So that capacity to innovate, as Llewellyn mentioned, that is one of the real frustrations because often when we are working towards a particular outcome and we are not necessarily achieving the outcomes we want we feel that if we were able to use funding a little bit more differently — particularly looking at health funding; it might be able to be pooled or used a bit more flexibly — we just believe it could deliver better outcomes for everyone.

**Ms PENNICUIK** — Thanks for coming in and for your submission, which I also found very interesting. I just want to follow on about the continuity and the insecurity theme that we have been discussing. Your two examples, which are the national quality agenda and the national preventative health partnerships, I found quite interesting. I do not know if you have heard any of the other discussions — you probably have not — but we have been talking, for example, with the national quality agenda, about the fact that national partnership agreements can be the ways of collecting evidence. So they have sort of collected the evidence or established the case for ongoing funding of early childhood education, whereas the other one, the national preventative health, seems to have sort of dive-bombed before it got to the point where it has actually got that evidence.

I worked for a short time in the community sector where I developed a project. It got off the ground and it was there, and then because there was no more funding it sort of went away, so the work was lost. So that continuity gets lost in terms of a project that is started, the work gets done and then all of a sudden it stops and you have lost that work — you have actually lost that investment you have put in. On the continuity with the staff, you are saying that they leave, so that is the continuity in a smaller area.

The question is: would you agree that some of the things we have been talking about today are that something in terms of a national quality agenda should not actually be a national partnership agreement anymore, it should be just part of ongoing funding? It should not be the subject of that. My question is: what are your thoughts about ongoing funding in terms of the agreement and the use of national partnership agreements for more sort of exploratory work that ends up being ongoing?

**Ms KING** — I think it is a really interesting question, too. One of the things in preparing the submission to put in was looking at the diversity of national partnership agreements that exist. It is actually quite difficult to track them by virtue of the fact that there is an enormous number, they have had differing end dates and they are not kept in one central location. I think in the early childhood agreements overall, given that there are a couple that pertain to that area, there was very strong evidence. Economists who have won Nobel prizes have shown incredibly strong evidence for why you invest in early childhood education. It seems nonsensical that we are going back to continue to negotiate each year to have 15 hours of early childhood provision and the fact that there is uncertainty for children and families as to whether that will be provided. It would seem to be logical that there would just be ongoing funding. So I entirely agree with you there.

At the same time there is a question for me about how it is that the federal government can actually make a decision to walk away from concessions and leave state governments to either pick up what is left behind or not, and if they do not, what are the ramifications for a range of vulnerable Victorians. I think it is a quite bizarre situation to be caught in. Going back to your question around evidence as well and how often projects can simply fall away, there are questions for me around closing the national partnership agreement on closing the gap, questions around preventive health. There is strong evidence around preventive health outcomes for Indigenous people et cetera that would suggest there needs to be ongoing funding put into those areas. I think there is a balance around what should be captured under the national partnership agreements, what should be ongoing funding. I say that as well in the context of the federation white papers that are playing out at the moment, because I am concerned that there is the capacity for the federal government to walk away or to abrogate a range of its responsibilities in terms of working with the states and working with citizens at the end of the day to provide what are essential services. There are some interesting discussions, I think, playing out more broadly, of which the national partnership agreements play only a part.

**Ms PENNICUIK** — Chair, just following on too. One of the other things in terms of your organisation is that your member organisations will invest some considerable time and effort and everything into these types of projects that are funded short term. They may come up with some good ideas or there may be an initiative that is working and then does not get funded so it falls away. This is more of a comment for you to comment on. In terms of the one I knew about, and I am sure this happens everywhere, you are consulting with other people too from other organisations, so you are getting them in and they are consulting and they have agreed that this is a good thing and they are all working towards it and then it gets sort of lost. It is the issue about the lost investments. You actually are putting taxpayers funds in, so when you have gone a certain way, say, on preventative health — you have gone quite a long way down the path — and then it is a bit of a lost opportunity.

**Ms KING** — That is right, and it is a frustration as well. It is a real lost opportunity, and it does not make smart economic sense at the end of the day. We look at the investment in early intervention and prevention and the cost of not doing that work and the cost of what it means at the other end as well. It is an enormous frustration, so I echo your comments.

**Mr DIMOPOULOS** — I just wanted to understand from your perspective whether you think the NPAs create a silo approach to service delivery or even policy advice. You are funded to do one thing and something peripheral to that is funded in a separate agreement or not funded at all.

**Ms KING** — I think it probably differs depending on organisations. Going back to the question about reporting requirements, it can lead to silos where funding needs to be used for specific means. Llewellyn might want to comment on the housing and homelessness NPAs, because I am thinking that they might provide a nice example of this.

**Mr REYNDERS** — Yes. I am very aware, I think, even in preparing our submission and preparing for today, that there are different levels of state-commonwealth agreements, and there are the national agreements — the national affordable housing agreement, the national health agreement — and then a second set of specific purpose payments listed under those, including for the disability and health workforce and then

the set of smaller national partnership agreements. We have focused on the national partnership agreements, but I guess there is that broader context of the rest of the state-federal fiscal relations instruments. Certainly in terms of the NAHA, the national affordable housing agreement, which I think was the subject of the federal audit — sorry, I have lost my train of thought.

**Ms KING** — In terms of just thinking about whether the agreements force people to kind of work in silos, was the initial question.

**Mr REYNDERS** — Oh, okay. Certainly the original 2008 proposal around those border agreements was in order to try to consolidate some of the many national partnership agreements and be able to work more cohesively. I think part of the strength of the NPAs is that in fact they can help focus attention on a particular issue for a particular moment in time and help coordinate around a problem that is shared and that we can focus policy attention on at once. What the weakness of them is, is that you are somewhat correct in that when there are dozens and dozens of them, that ability to focus attention is lost because you are trying to manage so many at once.

**Ms KING** — It does become silo as a result.

**Mr DIMOPOULOS** — Just a quick follow-up or a supplementary question. From where you sit, with all the observations you have made about agreements and the lack of flexibility, never enough money, all those other things, this parliamentary inquiry aside, what structures do you have within which you can consult? Are you brought to the table and by whom and how often?

**Ms KING** — I think over time, as the state government has been entering into negotiations for new national partnership agreements, it has been common practice to be having discussions with us along the way to look at how evidence is brought into shape government negotiations at that point in time. That has been a common practice over the time I have been at VCOSS, and I am sure before I started there. The other thing that I would mention is, given that we have the Australian Council of Social Service as well, ACOSS consults both with the bureaucracy and politicians at a federal level to seek to influence the outcomes of national partnerships. We have regular teleconferences and meet face-to-face regularly as well to share information about that and about how things are playing out across each state as well as at the federal level. They would be our key consultation mechanisms.

**Mr DIMOPOULOS** — At those you raise the same issues you are raising here, I imagine.

**Ms KING** — Absolutely.

**The CHAIR** — I thank the witnesses for their attendance. Thank you, Ms King. Thank you, Mr Reynders. The committee will follow up in writing on any questions taken on notice, and a written response should be provided within 21 days of that request.

**Committee adjourned.**