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Professor Stephen P King
Commissioner
Human Services Inquiry Productivity Commission
Locked Bag 2, Collins Street East
Melbourne Victoria 8003

Dear Professor King

Thank you for the opportunity to provide comments on the Productivity Commission's 2016 Inquiry, *Introducing Competition and Informed User Choice into Human Services: Identifying Sectors for Reform,* Preliminary Findings Report.

As stated in our initial submission Catholic Social Services Australia (CSSA) regards Australia's social service system as both a universal entitlement and social safety net, able to be accessed by anyone in need. We believe that our social services system is a critical part of Australia's social infrastructure which both protects vulnerable people from destitution and offers them the means through which they can reconnect with their community and participate fully in society. Our social services system should not be viewed as a recurrent cost to government budgets but rather as an investment which provides people in need the opportunity to fully participate in our society.

We remain cautious to any recommendation of reform to the human services system which is predicated on a view that people are merely consumers of products and services. It is our position that every person must have access to the level of well-being necessary for their full development as a person and member of community. As such the social service system must give priority to human dignity in its entirety which includes servicing the needs of the community in which people live.

Our submission will focus on two of the six identified areas: *grant-based family and community services* and *social housing* which reflects the issues raised by CSSA members at the roundtable on 17 October 2016.

Grant-based family and community services

CSSA believes that there is merit in further examining the processes underpinning the design, funding and tendering of government financed social and community service programs. However we believe that any "competition policy" reform in these areas should occur within a framework that gives priority and focus to improving the wellbeing of the vulnerable, those with complex needs and ensuring those in living in rural/remote areas are not forgotten.

We support the reform directions outlined by the Commission in its findings at 8.1 of the Preliminary Report. We also support the views of the Commission that:

- Governments could deliver a better mix of services if they took a systematic approach to identifying what the community needs;

- Engagement with service providers and users at the policy design stage could increase the quality and efficiency of services;

- Contract arrangements that are focused on outcomes for service users could increase the incentives for providers to deliver services that meet people's needs and provide more scope for innovation in service delivery; and

- Better use of data could help service providers and governments identify and disseminate effective practices.

It is our view that improving the way governments' plan, design, coordinate and fund grant-based programmes will be key to achieving improved outcomes for the users of family and community services. It is also important that the processes which support the implementation of these programmes including selection, monitoring and evaluation of the providers of social and community services are also improved. Attention to this area of government administration will ensure that funding is not unnecessarily diverted from service provision to administration.

In relation to the various findings made in the Preliminary Report we wish to make the following observations. Any systematic approach to identifying community needs should occur in consultation with the community, service providers, businesses and governments (Commonwealth, State and Local). While consultation with these groups will be essential in identifying needs, it is important that the Commission recognise the unique role of universal social services providers in identifying and assisting clients with multiple complex needs navigate and access the current segmented and fragmented suite of social services. Addressing this fragmentation and segmentation through a systematic approach to the planning of community needs and the coordination of services is crucial to delivering outcomes which benefit individuals and communities.

Further, the Commonwealth Grant Rules and Guidelines already state that government officials should work together with stakeholders to plan, design and undertake granting activities, particularly grants programmes[1] and that granting activities should be designed and implemented so that grant recipients focus on outcomes and outputs for beneficiaries[2]. Despite the existence of this legislative instrument we know from the Senate Standing Committees on Community Affairs Inquiry[3] into the Department of Social Services tendering processes that more could have been done by the Department to enliven these principles and deliver better outcomes for the government, the community and service providers. Specifically the Committee made the following recommendations which we believe are relevant to the work of the Commission:

- *Recommendation 1* - That the Department of Social Services publish its recent analysis of service delivery gaps, to promote transparency and to encourage informed discussion of a

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[1] Commonwealth Department of Finance, *Commonwealth Grants Rules and Guidelines, July 2014 p16*
[2] Commonwealth Department of Finance, *Commonwealth Grants Rules and Guidelines, July 2014 p25*
[3] Senate Standing Committees on Community Affairs (References Committee) Inquiry into *Impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services* Final report, September 2015

strategy that ensures vulnerable people are properly supported right across Australia with no gaps. (Not agreed to by Government[4])

- *Recommendation 2* - That future tendering processes are planned strategically, with a clear sense of the service gaps and areas of geographic need, and be based on an assessment of how the tendering process would enhance the capacity of the sector to meet these needs. (Agreed to by Government[5])

- *Recommendation 5* - That where possible, five-year contracts should be awarded to ensure stability so the sector can plan and deliver sustainable services. (Agreed to by Government[6])

- *Recommendation 8* - That community sector funding should include consistent and adequate indexation of funding (to wage price index). (Noted by Government[7])

We note these particular recommendations because they reflect similar issues that have been raised by the Commission and also highlight the potential difficulty the Commission will face in identifying reforms which will need the support of governments to implement.

Social Housing

CSSA believes that social housing (public housing and community housing) provides an essential service for vulnerable families and individuals. We support the "housing first" approach which recognises that having a safe, appropriate and affordable place to call home is essential for individuals or families to participate in the economic and social opportunities in the community.

We also support the Council of Australian Governments (COAG) aspirational objective that "*all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation[8]".*

Evidence[9] and feedback from our members confirms that there is a serious undersupply of social housing and affordable housing in Australia. The extent of the problem varies both in terms of location and timing. However we do know that the high costs of housing as a proportion of household income is leading to household stress and in many cases homelessness and poverty[10].

There is general agreement that Governments, together with the community sector, have a critical role to play in funding, managing and renewing social housing stock. Many State and Territory Governments are already entering into partnerships with community housing providers to manage their public housing stock. We also acknowledge that the response to the provision of social and affordable housing differs between State and Territory Governments[11].

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[4] Australian Government Response to Senate Standing Committees on Community Affairs (References Committee) *Inquiry into Impact on service quality, efficiency and sustainability of recent Commonwealth community service tendering processes by the Department of Social Services* Final report; December 2015, p4
[5] *Ibid*, p5
[6] *Ibid*, p6
[7] *Ibid*, p7
[8] COAG National Affordable Housing Agreement P3
http://www.federalfinancialrelations.gov.au/content/national_agreements.aspx accessed 20th October 2016
[9] See for example: Anglicare *Rental Affordability Snapshot 2016* http://www.anglicare.asn.au/research-reports/the-rental-affordability-snapshot accessed 20th October 2016
[10] Analysis by housing tenure shows that the vast majority of people below the poverty line were in rental housing in 2014 (59.7%), with most in private rental housing (44.2%) compared with 11.4% in public. (ACOSS Poverty Report 2016 P7 http://www.acoss.org.au/poverty-2/ accessed 20th October 2016)
[11] http://www.shelter.org.au/need-help accessed 20th October 2016

CSSA has been advocating for a national housing strategy[12] and national leadership on housing, which can underpin future National Affordable Housing Agreements. We believe that a national framework is key to developing a sustainable response to the growing issue of homelessness and housing affordability, recognising each of the jurisdictions will need to play their part in implementing solutions appropriate to their circumstances and housing cycles. However unsustainable public funding – a raw lack of available dollars to spend – is the principal problem facing Australia's social housing system[13].

Addressing the undersupply of affordable and social housing has to be tackled on a number of fronts including greater injection of funds. Many inquiries[14] , research[15] and private sector proposals[16] have proposed a range of recommendations (such as quicker land release, cheaper housing construction, financing options offering incentives, and setting targets etc). We are not looking at a new problem nor looking for new solutions.

The Commission's focus on the better utilisation of social housing stock through an increased role of the community housing providers is supported by CSSA members. Indeed we believe that CSSA members who are community housing providers are able to better understand and provide appropriate "wrap around" support services for tenants. Due to the relationship developed between the CSSA provider and the tenant, properties are likely to be better maintained and tenants allocated appropriate housing types. This model is likely to provide better outcomes for tenants than those in public housing, resulting in better utilisation of housing stock. We also support better monitoring of the performance of service providers.

CSSA remains cautious about greater competition with the for profit sector in managing social housing, when the majority of tenants are some of the most disadvantaged in the community and with the most complex needs. Market failure has arisen when other human services have been privatised which have led to people with complex needs "falling through the cracks".

However, looking at the social housing system as a whole, the transfer of public housing stock, addressing the underutilisation of existing stock, or improved performance monitoring are not by themselves going to improve the effectiveness of the social housing system. Addressing these factors may make some marginal improvements as discussed above but they do not address the critical issue of the undersupply of social housing. While we acknowledge that increased competition, contestability and user choice may offer some benefit to the social housing area, given the undersupply we do not see how a focus on those issues alone will benefit service users especially those people on waiting lists currently experiencing housing stress.

We therefore have reservations about the value of proceeding further with investigating the social housing system as described in the Commission's report.

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[12] CSSA Policy Position on Housing and Homelessness http://www.cssa.org.au/our-work/advocacy/policy-positions/#.WAgauU3_qUk

[13] Infrastructure Partnerships Australia 2016 *From Housing Assets to Housing People* P7 http://www.infrastructure.org.au/Content/HousingPeople.aspx accessed 20th October 2016

[14] See for example: Senate Standing Committee on Economics May 2015 *Out of reach? The Australian housing affordability challenge* http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Affordable_housing_2013/Report

[15] See for example: AHURI *Increasing the supply of affordable housing for low income tenants* https://www.ahuri.edu.au/policy-development/increasing-affordable-rental-supply

[16] Infrastructure Partnerships Australia ibid

CSSA looks forward to further engaging with the Productivity Commission on this important review and responding to the next Report. If you have any questions about this submission please contact CSSA's Director of Economic Policy, Joe Zabar

Sincerely,

Marcelle Mogg
CEO Catholic Social Services Australia