

Sector Support Policies

SA State Election 2018



SACOSS

*South Australian Council
of Social Service*



Sector Support

Introduction

The community services sector is an important part of the South Australian economy. Using data from the Australian Charities and Not-for-Profit Commission (ACNC, 2016) SACOSS calculates that in 2015 the SA registered community services organisations employed more than 30,000 South Australians. On a conservative estimate those organisations had a turnover in excess of \$3.1 billion, representing some 3.1% of Gross State Product – and that does not include the contribution of community service organisations registered in other states but operating in South Australia. The 4 largest organisations in our sector have annual turnover in excess of \$100m per year, but most organisations are much smaller and over half have turnovers under \$1m per year (ACNC, 2016).

Even more important than the size and economic impact of its own operations, the non-government community services sector has a vital role in supporting vulnerable and disadvantaged people in our state. The state government acknowledges this important role through the funding of a range of community sector organisations and services, either through the direct procurement of services from our sector or through grants to enable our sector organisations to expand their work and mission.

While government funding of our sector is important and welcome, often these funding arrangements have been characterised by red tape, onerous reporting and governance conditions or by a master-servant relationship. This has been happening despite the commitment to government-sector partnership in the Stronger Together Agreement and its predecessors (Govt of SA-HSPF, 2016).

However, in the last year substantial steps have been made to revamp the not-for-profit funding system and in this election SACOSS is seeking firstly to cement those changes in place regardless of who forms government, and then to address a key outstanding issue which is undermining the ability of the sector to reliably provide services to vulnerable and disadvantaged people.

In addition to these issues in relation to the funding of our sector, SACOSS is also seeking a commitment to assisting the sector with the transition to a digital world both in our own operations and in being able to support vulnerable and disadvantaged people in that world.

Policy Summary

Funding and Contracting

- Commit to continuation of the agreed principles for funding of the NFP sector (as enshrined in DPC 0 44)
- Commit to continue the Standard Indexation Policy as adopted by Cabinet in 2017
- Finalise negotiations, adopt and implement the standard Funded Services Agreement and Grants Agreement templates
- Extend the provisions of the *Late Payment of Government Debt (Interest) 2013 Act* to all not-for-profit organisations

Other Sector Support

- Funding for an audit of digital technology usage and literacy and to build digital capacity in the community services sector in SA

Funding and Contracting Policies

In the lead-up to the South Australian state election in 2014, and in consultation with organisations in the health and community services sector, SACOSS developed a 20-point Better Contracting and Red Tape Reduction Plan. One of the key initiatives proposed was the development of State Grant Guidelines similar to the Commonwealth guidelines, through which we hoped to get greater consistency across government and to mandate simpler funding processes. This would remove pressure and onerous requirements and allow sector organisations to devote more resources to our mission of supporting vulnerable and disadvantaged people.

The government also recognised the value of such guidelines and in its *Modern Public Service* policy document, it promised that:

"Grant guidelines will be developed with the not-for-profit sector to reduce red tape and take greater account of social value and responsibility."

A joint government/not-for-profit (NFP) working group under the auspices of the Human Services Partnership Forum began working on the South Australian Not-for-Profit Rules and Guidelines (SANFRAG) project in September 2013. A preliminary workshop was held with not-for-profit organisations to test what issues might be included in any guidelines, but the process got lost in the complexities of the *State Procurement Act* and the *Public Finance and Audit Act* and lacked direction. However, in 2016 the Department of Treasury and Finance took over leadership within government on this work and initiated a new process. Considerable progress has now been made. This policy seeks to finish the SANFRAG process and confirm that these policies will be retained regardless of which party forms government after this election.

In doing this SACOSS notes that the SANFRAG policies apply not only to community services, but also to the whole not-for-profit sector in South Australia, including funding in the arts, environment, sport and recreation and other volunteer sectors. Accordingly, SACOSS has been working alongside the Arts Industry Council of SA, the Conservation Council of SA, Sport SA and Volunteering SA&NT in the development of the SANFRAG project.

Commit to continuation of agreed funding principles

One of the key outcomes of the SANFRAG process has been the development of agreed principles to govern funding of the not-for-profit sector in South Australia. These principles are:

- Robust planning and design
- Collaboration and partnership
- Proportionality
- An outcomes orientation
- Achieving value with relevant money
- Governance and accountability
- Probity and transparency
- Community development.

These principles reflect the partnership approach, reduce unnecessary red tape through proportionality and an outcomes orientation, while still ensuring there is proper accountability and use of government money. Importantly too, the community development principles should reflect an approach to creating resilience and empowering communities, rather than simply providing services.

These principles, along with some elaboration and high-level guidance on implementation, were agreed to by Cabinet and are mandated in *DPC Circular 044 – South Australian Funding Policy for the Not for Profit Sector* (DPC, 2017). The principles are agreed by our sector and binding on all government departments, and we believe they provide a good framework for governing the funding relationship between government and our sector.

Accordingly, **SACOSS is asking all parties to commit to the continuation of DPC 044 principles for funding of the NFP sector.**

Maintain and improve the Standard Indexation Policy

One clear outcome from the SANFRAG process that has been welcomed by our sector is the implementation of a Standard Indexation Policy across all government departments and agencies (Govt of SA, 2017). Previously, different departments offered different rates on indexation on multi-year funding agreements, often in relation to the same NFP organisation.

The new policy, which was mandated by Cabinet and began on 1 July 2017, means that all departments must use the same indexation rate for any funding to the NFP sector and will see the full Treasury indexation rate passed on to NFPs (with a couple of exceptions relating to transitional NDIS and aged care contracts). This will end the practice of some departments of receiving the standard indexation rate from Treasury on funding they receive, but passing on lower rate (or no indexation) when they funded NFPs.

Given that the new standard indexation rate is set four years in advance, the new policy also means that our sector will know the value of the multi-year contracts when they sign, rather than waiting to be told the applicable indexation rate part way through.

The certainty of funding and the application of indexation to many contracts that otherwise would not have indexation is a big win for our sector and will ensure that the value of service funding does not decrease over time, although the government also took the opportunity to revise the current Treasury indexation rate down in recognition of prevailing low inflation rates.

The indexation rate is set at:

- 2% for 2017-18
- 2% for 2018-19
- 2.5% for 2019-20
- 2.5% for 2020-21.

The rate for 2021-22 will be announced next year, and where Fair Work Australia's Equal Remuneration Order applies, this should be added to the indexation rate.

There have inevitably been a few problems implementing the policy (including the reduction in the rate for this year), but these issues serve to underline the broader problem of our sector being forced to sign contracts without certainty as to the amount of money involved. This is exactly what the new policy seeks to address by being clear, four years in advance what the indexation will be – and therefore how much will be paid for each year of a multi-year contract. And of course, for many other organisations who would not otherwise have received any or the full indexation, the new policy represented a great boost in funding.

SACOSS is calling on all parties to **commit to continue the Standard Indexation Policy as adopted by Cabinet in 2017.**

Finalise and Implement Funding Contracts

The third key part of the SANFRAG consultations to date has been the development of new templates for funding contracts. A new Funded Services Agreement for procurement operations and a new Grants Agreement have been developed by the Department of Treasury in consultation with the Crown Solicitors Office and representatives of sector peak bodies, including SACOSS.

When agreed and implemented, these templates will be used in all NFP funding across all government departments. This will provide a level of standardisation and red tape reduction as the legal terms and conditions of the contract will not change and therefore not have to be considered afresh for each new contract. In addition, the structure of the proposed new contracts is simpler than the current community services Master Agreement and service contracts, pages of legalese and a range of unclear clauses have been removed, and the terms of the new contracts better reflect the partnership approach.

In late November 2017 a series of joint government-sector organised consultations were run with arts, environment, sports and community services organisations and the formal consultation period runs until 20 December. Initial reaction from the sector has been encouraging, but there are still a few outstanding issues to be negotiated and agreed. These negotiations will either be completed or close to completion by the time of the election, and so **SACOSS is asking all parties to commit if they form government to finalising the SANFRAG contract negotiations, and adopt and implement the standard Funded Services Agreement and Grants Agreement templates.**

Late Payments

There is an ongoing problem for many organisations in the health and community services sector with delays in receiving government funding. This is both in terms of slow contracting processes meaning that when new contracts are being offered for continuation of existing services, sector organisations have been forced to operate the service without a funding contract in place. Changes to procurement policies negotiated through the SANFRAG process may help address this, but there are also issues with government departments simply not paying existing contracts on the agreed dates.

These late payments cause particular problems for our sector because, by definition, our organisations are not-for-profit and given that much of the funding for the sector comes

from government contracts which can only be used for the stipulated purposes and any excess funding needs to be returned, it is difficult for many organisations to build operating reserves. Similarly, while many South Australians generously provide financial support to our sector, they donate for the provision of service – not for the sector to build reserves. Yet despite cash flow pressures and the difficulties caused by late payments, non-government organisations cannot simply cease to provide services until contracts are paid because that would mean vulnerable clients would miss out on vital services.

The SACOSS 2016-17 State Budget Submission highlighted this issue, noting that:

this year SACOSS had one member organisation only days from insolvency because of delays to their contract payment, while in the recent past disability service providers waited more than six months to receive funding for services they were providing (SACOSS, 2016).

The issue has not gone away. It was an issue that was raised consistently in the SANFRAG contract consultations (see above) and in the last two months SACOSS has been notified of 3 organisations who were owed in each case over \$100,000 in payments from different government departments – again creating significant financial difficulties for those organisations.

Part of the problem is that there is currently no incentive for government departments to pay on time, and in some cases where Recipient Created Tax Invoices are used there may not even be the usual commercial invoice pressures as the department is responsible for issuing the invoice it will then pay.

The government recognised the problems late payments caused for those with limited reserves when it passed the *Late Payment of Government Debts (Interest) Act 2013*. This provided for penalty interest to be paid for late payment, thus creating an incentive for timely payment and a relief to service providers who may have needed to borrow money to address their cash flow problems. However, that Act only applies to small businesses (including not-for-profit organisations), but given the arguments above about the nature of our sector organisations and their operating environment **SACOSS seeks a commitment to amend the Act to apply its provisions to contracts with all not-for-profit organisations.**

The amendment would be technically simple as it would just enlarge the scope of the Act. The other processes and prescriptions of the Act would remain unchanged, and while we envisage that its provisions would only rarely be used by our sector, it would be an important recognition of the problem and a potential tool for dealing with particularly problematic cases.

Other Sector Support Policies

Assisting community service sector digital readiness

Digital inclusion has been a major theme of SACOSS submission to the 2017-18 State Budget and in the lead up to this election. SACOSS has directly raised digital inclusion concerns with Government and Opposition MPs, co-hosted with CEDA an important forum on the issue in September 2017, and invited Professor Genevieve Bell to revisit her “Thinker in Residence” experience as part of the Open State event in October (Bell, 2017). But digital inclusion

issues apply to our own sector as well as in the wider society – both because of the role our sector plays in working with vulnerable and disadvantaged people, and because of the nature of our sector itself.

For many vulnerable and disadvantaged people, the community service sector is a first point of contact and a key provider of services, but those providing the services are often volunteers (who may have older age profiles than the rest of the population) or are low paid workers, professionally trained in human services rather than in technology. Further, the sector as a whole faces significant digital challenges with minimal investment in information technology and small charities often have little money for infrastructure and may be accessing only limited or dated digital technology (Infoxchange, 2016).

These are all indicators that the community services workforce itself may not be the most digitally-included group. Infoxchange and its partners (2016) have surveyed NFP organisations nationally on their use of IT and digital communications, but there is no reliable data on the NFP workforce's level of digital competence. However, if vulnerable and disadvantaged people are to be digitally included it is vital that those providing services that are aimed at overcoming that exclusion are themselves digitally savvy and resourced to assist with digital inclusion.

SACOSS is therefore proposing that the state government fund community sector development to support the sector being digitally engaged and resourced, or at least given the modest size of the funding envisaged, to identify the current state of the sector and the opportunities that exist.

Specifically, the government should fund SACOSS, as the sector's peak body, for a three-year project to:

- Assess the use of digital technology and level of digital literacy in our sector by utilising the government's self-assessment tool and aggregating and analysing the data from the sector;
- Scope opportunities for increased/better use of digital technology in community services; and
- Build digital capacity in our sector.

SACOSS is well-placed to conduct this project. As the peak body in our sector we represent the non-government organisations providing front-line services, and we have a past record of similar "service-need scoping" exercises which led to the funding of the consumer credit legal service (SACOSS, 2013). SACOSS also has the knowledge and policy background developed through our cost of living work, the survey and focus group research with low income South Australians on telecommunications affordability (Ogle & Musolino, 2016), and our ongoing engagement with the Australian Digital Inclusion Alliance.

The funding required would be in the region of \$150,000 per year for the next three years.

This policy proposal is also included in the SACOSS Digital Inclusion Policy

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