

*This submission has been prepared by the national network of Councils of Social Service collaborating to achieve our shared goals of a fair, inclusive and sustainable Australia. We are committed to working together to seek the best outcomes for people affected by poverty, disadvantage and inequity.**

Introduction

This submission is made to the national Competition Policy Review. In this submission our focus is on people and communities experiencing poverty and inequality and the community organisations that support them. We advocate for the Review to address the social as well as economic implications of competition policy, particularly with respect to how best we can meet the needs of Australia's health and wellbeing. We identify key areas where competition policy may conflict with the social and economic outcomes we seek as a nation; and provide directions and recommendations to inform the Review in its consideration of these contradictions.

We urge the Inquiry to place the following principles at the heart of its deliberations about competition policy:

- that improving health and wellbeing are at the heart of both economic and social policy;
- that growth in Australia must be inclusive growth; and
- that competition policy must not worsen and should improve social outcomes for people and communities, including those experiencing poverty and inequality.

List of Recommendations

- i. The Inquiry should seek input on the objectives of the DSS Data Outcomes funding reforms and consider how to align competitive policy with them in the context of delivering human services.
- ii. Funding for services should move to long-term cycles, with a minimum of three-years where appropriate for the desired outcomes; with 6 months minimum terms for negotiation of continued funding and to allow transition where funding is reduced or removed to ensure clients and workers are not adversely affected.
- iii. Service tendering processes should involve greater consultation with community service providers on program and service design; service procurement processes should include better notification and greater clarity; and tendering timelines should allow sufficient time for collaboration, the formation of consortia and innovative service design.
- iv. Indexation calculated on the basis of the Wage Price Index should be maintained for all government-funded human services.

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- v. That the Competition Inquiry identify the values and outcomes sought within each of the areas of economic and social productivity within its terms of reference, to inform its recommendations about the role and value of competition policy.
- vi. That government budgeting rules enable the development of Community Investment Funds with the expressed purpose of developing and resourcing long-term preventive programs with the aim of improving social outcomes and reducing fiscal burden.
- vii. That the Inquiry recognise there will be an ongoing need for both government and non-profit involvement to ensure the quality and effectiveness of human services, particularly for people experiencing poverty and inequality, including where such services are delivered through market-based mechanisms. Such need includes in regulation to ensure access and quality; and in the capacity and resourcing of advocacy on both an individual and a structural basis

Submission

1. How community services create value

Community organisations are created by and work with communities to solve shared problems - often complex, 'wicked problems' that cannot be solved by one organization, program or intervention alone.¹ They draw on the strengths of their communities, bringing together a wide variety of government, private and philanthropic resources; paid workers and volunteers; and local knowledge to provide an innovative mix of community services and sites for collaboration. Community organisations are a platform to advocate for and to achieve change.

Community organisations are usually embedded within the communities they serve, creating trust, and providing shared opportunities for volunteering, learning, sharing, collective action, advocacy, integrated service delivery, community agency and capability. In this way they make a major contribution to civil society: generating shared or collective value in ways that market-based mechanisms neither seek nor have the capacity to. Community organisations also build social inclusion and capacity building, with over 2 million volunteers supported by charities in Australia².

The Inquiry brings together a very diverse set of sectors under the heading 'Human Services' in its Draft Report. These include all levels of education, a wide variety of health organisations, and the spectrum of community services from childcare to aged care, housing and disability. Such a broad brush approach risks masking the very real differences in sectors, the outcomes they seek and the value they contribute.

¹ Moore, T. (2011) Wicked problems, rotten outcomes and clumsy solutions: children and families in a changing world, Presentation at the NIFTEY Conference, 28-29th July, 2011, Sydney
http://www.rch.org.au/uploadedFiles/Main/Content/ccch/NIFTeY_CCCH_Conference_11_-_paper.pdf

² Knight, P. A. and D. J. Gilchrist, (2014), Australian Charities 2013: The First Report on Charities Registered with the Australian Charities and Not-for-profits Commission, Report for the Australian Charities and Not-for-profits Commission, Melbourne.

2. What are we trying to achieve? The role of competition in supporting people and communities in need.

Because of this core value to communities and civil society broadly, funding and regulatory systems for community organisations have emerged very differently to those for private markets. The principles of competition are not easily translated to community organisations, such as prioritising the financial bottom line, risk aversion, and even the core assumption of competition rather than collaboration and partnership. Yet as competition policy has increasingly shaped the way governments as well as the private sector operate, these principles have been increasingly evident in human services funding and programming. (See **Appendix 1** for a more detailed analysis of the history of competition policy and its implications for human services and community organisations.)

Human services are funded and provided by numerous mechanisms. Where contestable markets exist, the vast majority are contrived markets or pseudo-markets that require government intervention for a range of reasons. For example, there is a key role for regulation to prevent quality erosion, where providers may be tempted to sacrifice quality in order to minimise costs, or to direct services to clients with highest outcome potential rather than highest need. Provider failure must be guarded against as well, in the delivery of the basic human services that are heavily-relied upon and are in the interests of national productivity. The draft report notes that governments needs to ‘include arrangements for service continuity in the case of provider failure’. However, this is easier said than done in the case of insolvent companies. The failure of ABC learning is an illustrative case in point, where a private enterprise in the childcare sector had rapidly and unsustainably expanded to capture a large share of the market, only to fail, and require the not-for-profit sector – accompanied by a significant injection of government funds – to continue its services.

The natural tendency of market-based mechanisms will be to ‘cherry-pick’ profitable services over those that are not. Australians expect a higher, more consistent and more effective level of support for people, including those experience poverty and inequality, than market-based mechanisms will necessarily sustain. Indeed transparent, coherent and effective means of funding and regulating community services must be central to policy settings also because of the importance of community trust and confidence in human services. The lack of consistency and validity in the reporting and regulatory requirements on community services has long been a barrier to productivity within this sector. We continue to maintain our support for a national regulatory environment for charities and nonprofits and note that the Australian Charities and Not-for-profits Commission was established with the express intention of reducing these barriers.

Additionally, and unlike other markets, some human services markets may have irregular features.

- In many community services the consumer of the service is not the same entity as the purchaser, and there is a tension between the outcomes and aspects of the service that the purchaser (i.e. government) and the consumer may wish to see delivered.

- Unlike 'normal' markets, resources for human services are not fungible (i.e. a consumer cannot choose to use their 'health' funding to purchase housing services – even if that might improve their health).
- Some human services must be consumed by compulsion as they are enshrined in legislation. For instance, children are required to consume education services; and prisoners are forced to consume correctional services against their wishes. Other legislative requirements are designed to protect client safety, such as child protection and care for people with psychiatric or intellectual disabilities.
- Some human services are consumed by service users who may not be in a position to make rational and informed choices - for instance those with mental health or drug and alcohol issues, those experiencing crisis or trauma, children and young people.

There are a number of challenges in reconciling competition policy with the role of community organisations in supporting community health and wellbeing. **The central challenge is how to foster principles of competition in an environment that is, at its core, about relationships.** Given that community organisations have often sprung from and for their communities, and that the needs identified and the supports to meet them can be highly complex and personal, relationships of trust and understanding are absolutely central to the work and value provided by community organisations. Where these problems are not just complex but integrated, and where resources are never sufficient to meet need, collaboration is an equally important strategy in effectively meeting needs and supporting people and communities.

None of these central tenets of community organising sit comfortably with the principles of competition: indeed many within our networks argue that they are directly contradictory. For example, the evaluation of the Communities for Children long-term, place-based initiative found positive impacts based on:

- a partnership model;
- funding to support the work;
- a strong community outcomes focus resulting in a greater number of services based on the needs of the community;
- better coordination of services; and
- a focus on improving community "child-friendliness" (that is, community "embeddedness", or social capital).³

Increased competition is likely to undermine the success of partnership based, community focused and integrated service models.

³ Muir, K et al (2010) The national evaluation of the Communities for Children initiative, Family Matters No 84. 2010.

The current funding for services under consideration by the Commonwealth Department of Social Services (DSS) provides an insight into the contradiction between competition and social policy. Senate Estimates hearings in Canberra in October were told that the Department of Social Services received 5,572 applications from welfare groups seeking \$3.9 billion over four years. These applications are to be determined within a budget of \$800 million after cuts to the program budget in the Federal Budget earlier in the year, including \$89.1 million in core funding programs alone, and more to Aboriginal and Torres Strait Islander, affordable housing and child care services. These applications are not from organisations tendering for something specific. There will be very few similarities in activity, budget and focus community through which to assess applications on a competitive basis. Indeed the purpose and outcomes intended by the DSS funding are diametrically opposed to the competitive nature in which the funding has had to be applied for and will be determined.

In a separate funding process under the Commonwealth Government, the Indigenous Advancement Strategy has brought together funding for Aboriginal and Torres Strait Islander services within the Department of Prime Minister and Cabinet. This reform follows on the back of decades of persistent poverty and inequality experienced by Aboriginal and Torres Strait Islander people and their communities; where outcomes have not been improving despite significant levels of funding. Clearly, there is a problem in the way services are being designed and delivered. The Strategy's attempt to address this problem includes expectations that Aboriginal and Torres Strait Islander communities will be consulted and that Aboriginal people will be employed in the development of programs. Nowhere does the Strategy require partnership, or give advice about how to achieve collaboration with and in the communities for whom the funding is intended.

The Western Australian Government and community services sectors have been pursuing outcome-based service procurement and design since 2008 through the WA Partnership Forum, and a recent independent review of the impact of competitive tendering on collaboration in service co-design has pointed to some significant issues if competitive processes are introduced in service procurement too soon during a co-design process.⁴ Co-design is particularly important where services are attempting to address the underlying causes of complex need or persistent disadvantage, as solving such 'wicked' problems often requires collaboration across different service, agency and disciplinary boundaries to better inter-link and integrate existing service responses. The independent review found that competitive tendering could undermine collaborative service co-design processes if entered into too soon; that it was critical to have clearly defined processes and boundaries and allow sufficient time and engagement for collaborative design prior to moving into a competitive tendering process; and that concerns about probity could undermine the potential benefits for service innovation if this was not addressed.

⁴ Independent Evaluation of WA Child Health Nurse tender, Peta Slocombe (2104) (forthcoming).

The adherence to principles of competition within the way governments administer funding for social services continues to undermine the outcomes governments themselves are trying to achieve. Some of the pitfalls of this approach include:

- Lack of information made available to communities, and little or not opportunity to participate in decision-making about which services are proposed in their area.
- The impact competitive funding processes have on collaborative opportunities and partnerships that would likely provide a better return on investment and ensure better outcomes for communities.
- Refusal to secure indexation on grants, such as was evident in the Federal Budget's freeze on indexation for 112 programs in 2014, resulting in a real decline in the value of grants without any identification of reduced activity or outcome expected.
- Vulnerability of community organisations without capacity to ensure their operational sustainability due to inadequate timeframes to renegotiate contracts and lack of appropriate transition when funding is reduced or removed.

The Commonwealth DSS is attempting to address some of these concerns through a new outcomes-based approach to its funding and reporting. The Inquiry should take note of these reforms, introduced under the current Government, and particularly their implications for a competitive approach within human services.

At the same time, the recent DSS and Indigenous Advancement Strategy tendering processes illustrate the risks posed by competitive tendering processes with little prior notice nor consultation with service providers, where significant changes in service scope are proposed or possible and the tendering timeframe is extremely short. The short tendering timeline combined with the lack of consultation or advance notice undermined what could have been significant opportunities for service reform. The move to longer contracting periods, the amalgamation of many smaller and fragmentary programs into broader service streams, the scaling up of population and service targets, and the increased scope for service innovation all offered significant potential for delivering more efficient, integrated and responsive services - if only there had been time for service providers to do the work needed to take advantage of them. Service providers who were pursuing the development of collaborative service initiatives, particularly those looking to collaborate with Indigenous community-controlled services, reported that they were unable to undertake sufficient consultation and negotiation to get agreement on new services within the tendering timeframe.

Recommendations:

- i. The Inquiry should seek input on the objectives of the DSS Data Outcomes funding reforms and consider how to align competitive policy with them in the context of delivering human services.**
- ii. Funding for services should move to long-term cycles, with a minimum of three-years where appropriate for the desired outcomes; with 6 months minimum terms for negotiation of continued funding and to allow transition where funding is reduced or removed to ensure clients and workers are not adversely affected.**

- iii. **Service tendering processes should involve greater consultation with community service providers on program and service design; service procurement processes should include better notification and greater clarity; and tendering timelines should allow sufficient time for collaboration, the formation of consortia and innovative service design.**
- iv. **Indexation calculated on the basis of the Wage Price Index should be maintained for all government-funded human services.**

The Inquiry's terms of reference state that 'government should not be a substitute for the private sector where markets are, or can, function effectively or where contestability can be realised.'⁵ We note that the terms of reference as stated here create a false dichotomy between government and private sector services with no consideration of the role of not-for-profit and community-based services. We might assert in contrast that private sector contestability should not be a substitute for community engagement in the design and delivery of person-centred services to enable disadvantaged and vulnerable individuals, families and communities to achieve meaningful and lasting outcomes. In this context, the purpose of government intervention in funding and regulating human services is to:

- expand the opportunities for people to live with dignity and lead meaningful, contributing and flourishing lives;
- have the opportunity to be educated, remain healthy, overcome poverty and disadvantage and participate in their communities; and
- be empowered to voice their views and requirements and have the capacity to strive for their hopes and dreams.

Too often public services are delivered, funding programs designed or regulatory restrictions introduced without a clear and articulated set of outcomes to be achieved. This makes it difficult for people, governments and service providers to determine how well they are working, often having conflicting views about their intent. Work has begun to better express outcomes and begin to change to better align with them, at different levels of government, across different jurisdictions and in various sectors across the country. We encourage the Review Panel to consider these processes and note the lessons emerging from them. **Much of this work recognizes the importance of inclusive processes that specify outcomes and that engage not just with service providers but with the people and communities whose health and wellbeing is at stake.** This is more likely to yield a set of outcomes that express the shared value intended.

Recommendation:

- v. ***That the Competition Inquiry identify the values and outcomes sought within each of the areas of economic and social productivity within its terms of reference, to inform its recommendations about the role and value of competition policy.***

⁵ 'Terms of Reference', *Competition Policy Review* at 1.3., <http://competitionpolicyreview.gov.au/terms-of-reference/>

3. Prevention is better than cure

A key consideration is whether the current set of tools that support competition policy are sufficient to deal with the social as well as economic problems we face in Australia. It is a truism that 'prevention is better than cure', but one that is often not practiced by governments when funding tries to deal with the consequences of social problems, rather than addressing their causes. This not only reduces people's quality of life, but is often economically inefficient. Trying to 'cure' a problem is far more expensive than preventing it. Examples of this problem include:

- Health funding that is overwhelmingly skewed towards acute and clinical care when preventive and primary care is likely to be more effective at improving population health.
- The difficulty of working with young people who disengage from education early, contributing a range of social problems, when greater effect would be achieved through earlier engagement with them to remain in school.
- Criminal justice diversion and rehabilitation programs that are less expensive and more effective at reducing crime than incarceration, but struggle to attract funding and investment.

In each of these areas, communities and social services struggle to attract the resources necessary to invest in preventive approaches, particularly within existing budget rules across government, despite the very clear evidence that such investment can significantly improve social outcomes while also providing tangible relief to budgets over the long-term.

Recommendation:

- vi. That government budgeting rules enable the development of Community Investment Funds with the expressed purpose of developing and resourcing long-term preventive programs with the aim of improving social outcomes and reducing fiscal burden.***

4. Choice is more than consumption

There is a risk that 'choice' is viewed as possible only within the limit confines of the market. In addition to market choices, communities make collective choices across a range of issues, from government-provided entitlements to universal services to identify needs and the best way to meet them within communities. These processes give people tangible choices over things that matter greatly in their lives.

Democratic institutions and fostering citizen participation and engagement are equally valid expressions of choice as those made in markets. Indeed, both dignity and quality of life are reduced if the only choices people are allowed to express are limited to those supplied in markets. Community organisations play an important role in giving expression to such non-market based choices. Many community organisations are member-based. **The engagement of members in decision-making gives expression to their democratic participation, which is a core part of the value provided by community organisations.**

At an individual level, the work of the COSS network across Australia shows that people value choice if they have appropriate information about what services are available *and* power in deciding how a service is delivered and resources used. People should be able to express their wishes by making choices not just with a provider, but even with which provider they want to use. However, some people experiencing poverty and inequality are placed at a significant disadvantage in exercising choice in market-based mechanisms. Factors influencing this disadvantage include mental or chronic illness, unemployment, insecure housing or homelessness, and income inadequacy or insecurity. Already ill-equipped to deal with any of these factors in isolation, it is even more unlikely that market-based mechanisms alone can provide effective choice for people experiencing multiple forms of disadvantage.

The National Disability Insurance Scheme is a useful example to think through some of these issues. The Issues Paper makes the following assertions about the NDIS.

Under the National Disability Insurance Scheme (NDIS), Australians with significant and permanent disability will have an individualised plan which sets out their care and support needs and their goals. Providers will be engaged by each individual NDIS participant to deliver support in accordance with the person's plan. Organisations and individuals can apply to be a registered provider and then enter into a written agreement that clearly sets out the support they will provide to an individual. In effect, much of what has been provided by state and territory governments could in future be provided by individuals, non-for-profit organisations and the private sector.⁶

We are concerned that this assessment of the NDIS misrepresents both the policy intent and the practices that our members are already observing in its implementation. The NDIS is not the sum total of supports people living with a disability will need, for example income support. Nor will the NDIS cover everyone in Australia living with disability. While a significant public policy achievement, it does not, in itself, signal the end of a need for government activity directly; nor for government-funded services for people living with disability in Australia.

In the ACT the launch of the NDIS has led to government withdrawing from the provision of services in some areas (specifically early childhood intervention, and residential homes). But the ACT Government has now recognised it cannot do that without first developing the markets intended but not yet in existence. They have also recognised a need to continue to provide block-funding for Tier 2 services that are not commensurate with the individualised funding model and to ensure that those people who are not eligible for the NDIS are able to access needed services.

By giving participants market-based power as consumers, the policy intention of individualised funding is central to the effort to attract markets into delivering services under the NDIS. But the majority of people living with disability will not be in receipt of individualised funding packages, thereby undermining their ability to access and define the services they want; and creating tensions around resources for service development and delivery. The creation of markets will not solve these tensions and the role of governments as funders will need to continue.

⁶ Issues Paper, p.26 at 4.11.

One of the core assumptions of the NDIS is the expectation that other human services like health and education will provide access and support when people within the NDIS use those services. However our networks are reporting that this is not occurring, so some people within scope of NDIS are already falling through the cracks. Meanwhile a number of groups, such as people with chronic health needs, are not in scope for the NDIS, yet are also already being failed by the existing health system. Thus while the NDIS is an effort to establish a market-based mechanism for vital human services, both its design and implementation demonstrate some of the entirely predictable pitfalls of assuming market-based mechanisms can meet the full and complex needs of people and communities, particularly those experiencing poverty and inequality.

The capacity for ongoing policy development to improve market-based mechanisms in areas of priority and need is another area of need rarely met by market-based mechanisms. For example, there is a high likelihood that the NDIS cannot or will not meet all the needs that it should in its early phases of implementation. The capacity to identify needs not being met and work with providers to develop models of service that can meet them requires advocacy on both an individual and a structural level. Yet there has been little attention paid to the need for advocacy as an expressed activity provided under the NDIS; nor to how market-based mechanisms would sustain such activity.

Recommendation:

- vii. That the Inquiry recognise there will be an ongoing need for both government and non-profit involvement to ensure the quality and effectiveness of human services, particularly for people experiencing poverty and inequality, including where such services are delivered through market-based mechanisms. Such need includes in regulation to ensure access and quality; and in the capacity and resourcing of advocacy on both an individual and a structural basis.***

5. The role of competitive neutrality in community services

Competitive neutrality is ‘a principle that promotes equal treatment of competing organisations to promote a level playing field’.⁷ The Issues Paper’s discussion of competitive neutrality is focused on competition between business and government. However, given the broad implications of this Inquiry, it is important to outline our concerns about the application of principles of competitive neutrality to nonprofit community services, particularly given the Productivity Commission’s recent work on this (2010).

In community services, competitive neutrality is commonly framed as businesses seeking to deliver social services but seeing that charitable organisations have a competitive advantage due to their ability to access charitable tax concessions. The Productivity Commission set out this issue in its landmark 2010 study into the contribution of the not-for-profit sector. Its terms of reference included the scope to ‘examine the extent to which tax exemptions accessed by the

⁷ Productivity Commission (2010) *Study into the Contribution of the Not-for-profit sector*, p. XVI.

commercial operations of not-for-profit organisations may affect the competitive neutrality of the market’.⁸

The PC reaffirmed that its own findings from a review some fifteen years earlier remained relevant, namely ‘that income tax exemptions have few adverse consequences’, while noting that fringe benefits tax arrangements ‘in a small number of areas, notably hospitals, ... confer advantage to both NFP and public hospitals’.⁹ This is notable given that the Issues Paper notes, ‘historically, in circumstances where competitive markets were not seen as feasible, more administered market arrangements developed’ and goes on to cite health and education as examples.¹⁰

Beyond the feasibility of competitive markets, it must be acknowledged that a market-based approach driven by competition can run counter to desired outcomes. This is the case in community services, where the ‘service’ element is underpinned by a commitment to community and a set of outcomes based on the principle of collaboration rather than competition. This is also recognized subsequently in the Issues Paper which notes,

... the importance of [human services sectors] goes beyond their size. Better human services enable healthier, safer and better educated citizens who can aspire to higher welfare and living standards ... these crucial social outcomes emphasise the importance of achieving value - namely, high quality and access in a cost effective fashion - from the resources devoted to human services.¹¹

Conclusion

The Inquiry’s terms of reference rest on the assumption that ‘an effective competition framework is a vital element of a strong economy that drives continued growth in productivity and living standards’.¹² In conclusion, **we submit that the brief to recommend ‘appropriate reforms to improve the Australian economy and the welfare of Australians’ must be predicated not on growth alone, but on inclusive growth.** This is consistent with the policies of the international institutions of which Australia is an active and committed member, including the G20, the World Bank and the International Monetary Fund. We urge the Inquiry to place at the heart of its deliberations about competition policy the principles that improving health and wellbeing are at the heart of both economic and social policy; that growth in Australia must be inclusive growth; and that competition policy must not worsen and should improve social outcomes for people and communities, including those experiencing poverty and inequality.

⁸ *Ibid.*

⁹ *Ibid.* The PC also noted its concerns about competitive neutrality in the gaming industry: ‘The other competitive neutrality issue raised is in regard to registered clubs and the considerable benefit they derive from concessional treatment of gaming revenue by their state or territory, which are not available to hotels and other operators. While clubs provide valuable community benefits through their support of community activities, the direct contributions fall well short of the value of the concession. Regardless, for competitive neutrality purposes, the issue is not whether public benefits are generated, but that the way in which government support is delivered is distortionary’ (XXXI).

¹⁰ Competition Inquiry Issues Paper, p. 24 at 4.1.

¹¹ *Ibid.*, p. 25 at 4.6.

¹² ‘Terms of Reference’, *Competition Policy Review*, <http://competitionpolicyreview.gov.au/terms-of-reference/>

APPENDIX 1: History of national competition policy and funding for human services

The history of attempts to improve the funding and delivery of community services in Australia is long and involved. Much of it has derived from reforms in the public (government) sector, which is unsurprising given the traditional involvement of governments in delivering community services. For example, the microeconomic reforms of the early 1990s were followed by the introduction of private sector management practices into the public sector: strengthening the prerogative of managers, measuring performance, increasing competitive pressures and cost-cutting. Contracting out – the use by governments of contractors to carry out services to the public on their behalf - was already in wide use at this stage. Reporting on an increase in government contracting out through the early 1990s, the Industry Commission asserted that the benefits of competitive tendering and contracting by public sector agencies were increased flexibility in service delivery; greater focus on outputs and outcomes; and innovative solutions and savings in costs. The Industry Commission also noted the downside of these practices, including the costs associated with the administration of contracts; and the possibly adverse effects on accountability, quality, public sector jobs, wages and conditions.

The role played by non-profit community organisations sets a critical context in this history and must be acknowledged in any consideration of national competition reforms. This context includes a focus on addressing poverty, inequality and disadvantage in the design and delivery of services; evidence that much of the need being met by social services could be prevented by well-developed communities and well-designed programs; and an historic failure of markets to achieve any of these objectives, hence the emergence of non-profit charitable and community organisations in the first place.

Community organisations have persistently questioned the appropriateness of the shift towards managerialism particularly in the specific context of social services. Concerns have centred on:

- decreasing scope for preventive services;
- decreasing scope for innovation and responsiveness to particular needs;
- limiting funding for programs with unquantifiable goals;
- funding for only one part of a service continuum;
- less support for administrative costs;
- failing to recognise the broader role played by many community organisations in addressing the structures of inequality through research, policy and advocacy, networking, education and training; and
- restricting the scope and vision of service models as a consequence of poor contracting processes.

Despite these misgivings expressed by the community sector and economic experts alike, managerialist approaches have been applied to the community sector as governments moved to adopt competitive tendering and contracting in the commission of social services from not-for-profit organisations. The greatest risk in this approach remains treating community services as akin to commercial businesses, when their core objective is to meet client and community needs, not profitability; and when many of the activities of community organisations, such as advocacy

and community development, cannot be defined as a single price-driven commodity and as such cannot be a viable commercial activity.

There are also inherent contradictions between the processes of competitive tendering and the outcomes community services aim to achieve.

- The effectiveness of open tendering for selecting organisations to carry out services is highly questionable, particularly when the success of those services often depends upon established relationships and understanding of the community context.
- Competitive price tendering undermines the integration and coordination of services; favours larger, more established services over smaller agencies and community groups; and measures efficiency in terms of low cost, when the measurement of social and economic outcomes requires a far more nuanced approach and a capacity to identify preventive benefits over long-term periods.
- The application of managerialism to community services runs the risk of reducing the sector's capacity to respond to community needs, such as when the application of strict rules surrounding definitions of service type or target group excluded clients in need.

Finally, the utility of 'outputs' in measuring the work or effectiveness of community organisations or benchmarking performance within the sector has been largely discredited as an unhelpful and irrelevant approach to this work. Recent reforms announced by the Australian Government such as the Indigenous Advancement Strategy within Department of Prime Minister and Cabinet and the outcomes-based reporting and Data Framework under the Department of Social Service are being implemented with the express purpose of rectifying governmental funding, reporting and delivery mechanisms to better support community outcomes.

In the community sector, it is contracting processes between community organisations and governments that play the greatest role and pose the most concern for competition policy. Non-profit organisations receiving government funding for services are expected to carry increasing levels of risk associated with those contracts. For many community organisations, the relationship with government as funder has become the primary interaction, beyond the relationships that community organisations might value more highly such as in relation to policy advice or advocacy.