

Federal Pre-budget Submission 2023-24

About Mission Australia

Mission Australia is a national, non-denominational Christian charity that has been serving Australia for more than 160 years. Our vision is an Australia where all of us have a safe home and can thrive. In 2021-22, we supported over 147,900 individuals through 465 programs and services across Australia with housing, homelessness, aged care, child, youth and family, mental health and other community services.

Income support payments

Current income support levels are inadequate for keeping Australians out of poverty. Between the March and June quarters of 2020, new income support Supplement payments lifted 646,000 people out of poverty, including 245,000 children. While available data cannot yet tell us how poverty rates have been affected by the removal of the Supplement, researchers have concluded that poverty is likely to have risen above pre-pandemic levels, since a much larger number of people relied on the lowest income support payments than before the pandemic (1,950,000 people in April 2021 compared with 1,414,000 in February 2020.)¹

An ACOSS survey of 449 people living on JobSeeker, Youth Allowance and Parenting Payment between July and August 2022 found that, due to cost of living and their inadequate income, many had difficulty getting medication and medical care (62%), ate less or skipped meals (62%) and experienced rental stress (96% of those privately renting).²

With clear evidence of the positive outcomes generated by the additional financial assistance during the pandemic, the Government should redesign the income support system to assist people to remain out of poverty. This should also include increasing Commonwealth Rent Assistance (CRA) payments by 50% to better reflect minimum rents paid by people on low incomes.³

We welcome the formation of the Economic Inclusion Advisory Panel and its role in considering the adequacy of income support payments. We recommend that their initial findings be implemented in full in the next Budget.

RECOMMENDATIONS

- Commit to lift income support payments to at least \$73 a day, including JobSeeker, Youth Allowance and Parenting Payment.
- Increase Commonwealth Rent Assistance by 50%.
- Commit to implementing the recommendations of the Economic Inclusion Advisory Panel.

¹ Australian Council of Social Service and UNSW Sydney (2022) *Poverty in Australia 2022: A snapshot*, at [A snapshot of poverty in Australia 2022 – Poverty and Inequality \(acoss.org.au\)](#)

² https://www.acoss.org.au/wp-content/uploads/2022/09/ACOSS-cost-of-living-report_web_v02.pdf

³ Australian Council of Social Service (2021) *Tough times, less support: Analysis of effective unemployment and Government income support in two waves of the pandemic*, accessible at <https://www.acoss.org.au/wp-content/uploads/2021/09/ACOSS-Briefing-Tough-times-less-support-1.pdf>

Homelessness and social and affordable housing

We welcome the Government's commitment to housing and homelessness reform including through the introduction of Housing Australia, the Housing Australia Future Fund (HAFF), the National Housing Accord and the National Housing Supply and Affordability Council. 2023 will be a critical year in homelessness and housing policy, with the development of the National Housing and Homelessness Plan and new housing and homelessness agreement being a significant opportunity for continued reform and investment that can end homelessness and secure housing affordability for all Australians.

Mission Australia recommends that further investment in social and affordable housing be made to meet current and future needs, noting that while the current commitment under the Housing Affordability Future Fund stands at 30,000 homes, the shortfall has been projected as 891,000 homes over 20 years.⁴ Our [submission](#) to the Productivity Commission review of the National Housing and Homelessness Agreement addresses this issue and sets out our preferred direction and scope for both the next funding Agreement and a National Housing and Homelessness Plan. It contains recommendations, that we reproduce here, for a needs-based homelessness funding model, creation of a prevention and early intervention fund, and direct and indirect investment mechanisms to maintain a sustainable social and affordable housing system.⁵

Implementation of these recommendations would support continued investment in a homelessness service system that works to prevent homelessness and end it quickly when it occurs, in conjunction with sufficient supply and availability of housing that is affordable to people on very low to moderate incomes.

We also refer Treasury to the budget submissions of Homelessness Australia, the Community Housing Industry Association (CHIA) and PowerHousing.

RECOMMENDATIONS

- Future funding for the housing and homelessness systems, either as part of a new housing and homelessness funding agreement and/or separate funding streams, must be increased and should consider the following investment priorities:
 - Needs-based homelessness funding
 - A prevention and early intervention fund
 - A sustainable social and affordable housing system, including through wholesale transfer of stock from public housing to the community housing sector, and the adoption of a Housing Boost Aggregator and a National Framework for Mandatory Inclusionary Zoning.

⁴ Australian Government (2021) Statutory review of the operation of the National Housing Finance and Investment Corporation Act 2018 – final report, accessible at: <https://treasury.gov.au/sites/default/files/2021-10/p2021-217760.pdf>

⁵ Mission Australia. (2022). Productivity Commission review of the National Housing and Homelessness Agreement. <https://www.missionaustralia.com.au/publications/submissions-and-reports/housing-and-homelessness/2548-productivity-commission-review-of-the-national-housing-and-homelessness-agreement/file>

Place-based approaches to strengthening communities

Entrenched disadvantage is present in a small but persistent number of locations in each state and territory across Australia.⁶ This disadvantage includes high levels of unemployment, low levels of income and education, housing stress, a high level of criminal offending and inter-generational welfare dependency. This limits opportunities for individuals living in these communities and imposes high avoidable costs for taxpayers.

Locational disadvantage is a complex problem that is best addressed by a coordinated, collaborative place-based approach, led by communities, supported by local service providers and funded by the Federal Government in conjunction with state/territory and local governments, in recognition of the community benefits and avoided taxpayer costs. This approach requires long-term commitment and investment. The Government's Stronger Places, Stronger People initiative adopts these principles and is a good example of a place-based approach, albeit limited in scope.

We welcome the announcement of the Nexus Centre Foundation Partner and anticipate that it will make a significant contribution to advancing the philosophy and practice of place-based work in Australia.

RECOMMENDATION

- Initiate and fund further place-based approaches to entrenched locational disadvantage, targeted to areas of concentrated inter-generational welfare dependency.

Investing in the community sector

Mission Australia welcomes the National Cabinet priority of *Improving productivity and outcomes in the human services system*. We believe that reforms in this area are vital to transform the human services system so that everyone can thrive and live their best lives, especially those experiencing complex and entrenched disadvantage.

One of the areas that requires significant reform is government contracting and commissioning processes with the human services sector. This includes: funding contracts that do not reflect the true cost of service provision and are too short-term; inconsistent, opaque and inadequate indexation arrangements; and poor commissioning practices.

Adequacy of grant funding for non-service delivery components

Government funders are increasingly including contractual requirements in contracts on top of core governance contractual requirements (e.g., finance, auditing, human resources, legal). These extra requirements include increased regulatory and accreditation compliance, Quality Assurance systems and highly-prescribed evidence-based practice, evaluations, impact or outcomes measurement and data collection. In particular, contractual requirements for comprehensive client and service data

⁶ Productivity Commission (2013) Deep and persistent disadvantage in Australia, accessible at <https://www.pc.gov.au/research/supporting/deep-persistent-disadvantage> and Tanton, R., Dare, L., Miranti, R., Vidyattama, Y., Yule, A. and McCabe, M. (2021), Dropping Off the Edge 2021: Persistent and multilayered disadvantage in Australia, Jesuit Social Services: Melbourne, accessible at www.dote.org.au

collection are requiring community service organisations to invest heavily in sophisticated CRMs/client information systems.

While we generally support the intent behind these inclusions, they all come at a significant cost to service providers. However, funders' program budgets limit what can be included as a direct cost of delivering the service, and almost always exclude the costs of meeting these new or increased requirements. Most program budgets have remained stable over the years, while the contractual requirements have increased.

We agree that many of the required functions are important for understanding what works, when and for whom – ultimately so that funding and effort can be directed appropriately to maximise impact and positive outcomes for the clients, families and communities we serve. However, the required increased investment in data expertise, research capability and information systems needs to be accounted for in grant funding arrangements.⁷

Inconsistent application of administrative cost provisions

There is inconsistency in the application of administrative cost funding provisions across similar programs, managed by the same or different Federal Government funding agencies. This makes it very difficult to plan services and prepare tenders on any consistent basis. For example, similar programs funded through different Primary Health Networks (auspiced by the Department of Health) have very different guidelines and decision-making criteria around administrative cost provisions.

We recommend that the Government develop and implement guidelines across all Federal Government agencies funding human services programs to ensure efficient and consistent commissioning practices and application of funding of administrative costs.

Contract length

In addition to these funding issues, most service delivery contracts are short-term in nature. There is also a common practice of agencies issuing repeated brief extensions to contracts when they are about to expire.

This short-term funding environment is detrimental to service delivery, and is a major impediment to retaining/hiring qualified staff. It disrupts continuity of care for clients and results in avoidable waste of taxpayer funds in high frequency contract “churn” incurred by both government agencies and providers. In addition, many contracts have outcome requirements or expectations that are simply impossible to achieve within their term.

We support a shift to long-term funding contracts (minimum seven years) with appropriate indexation, to more effectively support organisations to develop and deliver services for individuals, families and communities experiencing disadvantage.

Indexation

A consistent indexation policy that matches actual costs is needed. Contracts that do not reflect real CPI increases throughout their periods have the effect of reducing the real value of a grant during its

⁷ These issues are reflected in the [Paying What it Takes](#) report, authored by Social Ventures Australia and the Centre for Social Impact.

term, diluting actual service delivery outcomes or making it impossible to deliver activities such as evaluations.

As a stark recent example, community services organisations are faced with passing on the recent Fair Work Commission 4.6% wage increase, but without a concomitant increase in their government grant levels. Many will be unable to pass the wage rise on fully, further entrenching the sector's low pay rates, uncompetitiveness against other sectors, gendered pay gaps and workforce shortages.

Strategic commissioning approaches

Current commissioning of services by Federal Government agencies is neither efficient nor effective. Improved commissioning approaches would include the following elements:

- Involving people and communities with living/lived experience can improve program design and delivery and achieve First Nations self-determination goals.
- Outcomes-based contracts can incentivise performance on the basis of the change achieved for clients, compared with other forms of contracting which measure administrative tasks and inputs.
- A clear view on the evidence of what works can be used to drive more outcomes.
- Consolidation of contracts on a place and/or cohort and/or outcome area basis can reduce the current fragmentation of service provision, increase accountability and enable new ways of working.
- Procurement processes can be designed to encourage collaboration between providers, while still ensuring value for money and proper stewardship of taxpayer funds.
- Aligning contract periods with the time taken to achieve the goal can increase certainty about program achievements, and can stabilise the human services workforce.
- Robust monitoring and evaluation can track progress and feed into continuous improvement.

Adoption of strategic commissioning approaches as above would maximise allocative efficiency, realise the full benefits of programs and initiatives and give certainty to service providers, staff and clients.

RECOMMENDATIONS

- Implement processes during funding negotiations for open, productive dialogue between Federal Government agencies and contracted organisations around the true costs of programs and initiatives.
- Develop guidelines across all Federal Government agencies funding human services programs to ensure efficient and consistent commissioning practices and application of funding of administrative costs.
- Implement minimum seven-year terms for grant-funded human services programs.
- Community sector organisations should receive an indexation rate of 5.5% for the next 12 months to cover historically high organisational costs.
- Review the method by which the Federal Government determines and applies indexation to community services, to more accurately reflect labour and cost pressures.

- Improve the transparency around the quantum and indexation rate of human services government contracts and grants, including publishing indexation rates and calculation methods in Budget Papers.
- Reform government commissioning processes as outlined above, in order to realise the full benefits of human services programs and initiatives.