

Anglicare Australia's response to the Productivity Commission draft research report "*Contribution of the Not-for-Profit Sector.*"

Chapter 5: improving the knowledge base

Measuring the contribution of the sector

One of the more complex discussions in this report is of the multi-layered benefits of community-based activities, and the need to identify and (where possible) assess their impact. The Commission suggests establishing a common framework for measuring and evaluating the sector's work.

While it is implicit that the common framework needs to apply across all levels of government, feedback to us suggests that states and local governments need to identify clearer outcomes for their funding in order to make such a framework possible.

The Commission has also urged the sector to accept responsibility for *populating* this framework. While that is a message that the sector needs to take on board, it begs the question about how best to measure the more complex and significant impacts of this work.

Furthermore, there are some outcomes and impacts that may not be measureable, but which are significant to the work. It is important that the focus on identified measureable goals doesn't prevent us from doing work that can't be measured in the funding cycle.

Anglicare's initial submission to this inquiry talked about taking a *capabilities approach* to the purpose of the work. It links to the need to use a qualitative as well as quantitative assessment of the outcomes of programs and projects, focussing on social goals rather than program delivery. And making it clear that we see the quality of the work and its intent as inextricably linked.

How such work is evaluated and assessed, especially if it is to provide the evidence base for policy and funding, will require a real negotiation. This is something that has historically been difficult between government and the community sector. It becomes even more problematic if we stop seeing community sector work as services delivered by professionals, working with clients and funded largely by government, and instead look to a broader notion of social development in which the contribution of all participants is economically valued.

This challenge is clearly visible in major projects such as the *BIG hART* company's *Northcott Narratives*. This was an arts based residency at the Northcott public housing towers in Surry Hills from 2002 to 2007, involving professional performers and musicians, local residents, housing workers, filmmakers and a range of volunteers. While assessed and evaluated as a success – which as a piece of television and a theatre performance, a vehicle for participation and connection, and as a community safety intervention, it clearly was [see [People now know me for something positive](#) Wright & Palmer, Murdoch University 2007] – it would be hard to know how to measure all the meaningful outcomes and impacts of that project on all participants; how to measure the changed perceptions that so many people have of that large public housing site; or how to assess the value of those changed perceptions to the wider community.

In articulating the contribution the Not-for-Profit sector makes to society it was perhaps inevitable that the Commission's draft report appears to focus on the most individual outcomes, with the broader impacts or benefits to be understood through their accretion.

But as ACOSS has pointed out, such a perspective runs the risk of missing the contribution the sector makes to broad policy debate. The sector's capacity to make a direct contribution to public policy and discourse underpins a robust democracy. Some of that contribution is made by peak bodies and think tanks, whose outputs on this front can usually be identified, even if the impacts can't be measured. Many other community sector organisations make substantial but less visible contributions. We would like to see the Commission recommend that such contributions are specifically included in the measurement framework [DR 5.2], are one of the elements that are valued when projects are fully costed [DR 11.2], and are acknowledged in any future compact [DR 13.1].

That is not to deny the need to understand the contribution specific programs and activities also make to broader social agendas. The challenge there is to identify appropriate markers of this broad progress.

The Rudd Government's embrace of a social inclusion agenda, which has resonated with many in the Anglicare network, is a good example. There is a concern that a focus on narrow benchmarks, such as employment and education, would both limit what social inclusion might be and shift responsibility for that inclusion away from wider society.

Housing is a case in point. Australia have seen tighter targeting of social housing in order to address the inarguable needs of people on the extreme margins of our society, while a growing proportion of the wider population are living with housing stress. Nearby residents now object wherever social housing is proposed.

A goal to cut homeless numbers might be reached by this strategy, without building a more inclusive and sustainable society overall.

Broader goals for housing policy – such as communities that welcome a social mix of residents and developments that include a proportion of social housing – would need to have regard to impacts across the whole society as well. One policy response to such broader goals would be to grow the supply of social housing to make it more socially and financially sustainable, rather than target it more tightly.

The Commission's draft report does make the point that the best evaluation takes a whole of society view of the impact of the work. But in order to do that, there need to be explicit whole-of-society goals or directions.

A recent broadcast of *Away!* [ABC Radio National [Will to Live](#), Oct 17] discussing Aboriginal health, put two further arguments. Firstly, health outcomes are much better when the target community is involved in shaping the delivery of health services. Secondly, if government policy is to be adequate, it needs to be formed through that engagement.

This at its heart is one of the most valuable impacts that programs provided by the community sector can make. While the importance of participation to effective social inclusion is well recognised, how that happens in practise – and in a meaningful way – remains the question. Shaping government policy through engagement with services and with the organisations that deliver them is participation.

It could be then that we have the notion of measuring and evaluating the community sector's work too narrowly prescribed. It is not only the impacts on individual clients that we need to be accounting for, but the impacts on our wider society.

Anglicare would like to see in the report a more explicit identification of a community development approach to social services and the shaping of government policy. While that may be difficult to measure, it should be possible at least to keep a track of the development of new policy through participation and engagement, and some of the impacts through – hopefully – positive population health outcomes, and overarching movement towards a more equal and more sustainable society.

As a first step, in the context of this report, the Commission's recommendations that support collaborative projects, such as DR 12.2, are most useful. It is going to take some time to populate a measurement framework with indicators that reflect the profound goals, and the complex outcomes and impacts, of this work. But it

should be possible to use proposed collaborative relationships, with agreed design and evaluation processes, to assist in that process.

Improving comparability and usefulness of information collected

The Commission is recommending the use of evaluations to help identify the contributions of not-for-profits on individuals and the community, and to help shape data collections. While this is a worthwhile objective our experience is that:

- there are many kinds of evaluations and there is no agreed best practice in the area
- evaluation is costly and can be resource intensive
- larger organisations would be in a better position to carry out robust evaluation
- funding should not be made contingent on evaluation being carried out
- evaluation should have the goal of improving not-for-profits' service delivery and enriching the whole sector
- there is a lack of expertise in most organisations to carry out robust evaluation.

It is possible that evaluation could become another kind of compliance burden which the Productivity Commission is keen to minimise. It should also be recommended that government pays for evaluation to be carried out within program budgets, and that evaluation only be mandatory for programs above a certain dollar value. There is a need for regard to the size and nature of programs in arriving at the scale of evaluation that may be required.

Another aspect to this is that many outcomes are not susceptible to a quantitative measurement. The Commission appears to be recommending a common evaluation framework across programs of different kinds and appropriately adapted to the specific circumstances of service delivery. While this is a worthwhile objective, it will be difficult to achieve.

Improving evidence-base practice through better evaluation

The proposed establishment of a Centre for Community Service Effectiveness (DR 5.4) could deliver important social benefits to the sector and the wider community over time as long as it truly engaged with and was supportive of the community sector organisations doing the work.

There are numerous institutions attached to or under the auspices of universities and industry bodies around Australia that might well be interested in taking on this

work. That would probably make more sense than setting up a brand new operation. The suggestion that funding might eventually be ‘sought from within sector’ is a concern given funding for own evaluation seems to be fairly limited even in the best of times.

Similarly, DR 9.2 (for the states and territories to offer *training* in evaluation) is just one part of the equation. Anglicare Australia would like the Commission to also propose adequate funding and planning for evaluation be factored into funding agreements.

Chapter 6: smarter regulation of the not-for-profit sector

Providing for appropriate legal forms

In regard to the Commission’s specific request for comment, our need our network members did not see the need for a new legal form; had mixed views on restricting state based associations; and suggested specifying a process to allow organisations to migrate between forms and jurisdictions.

Reducing unnecessary compliance burdens

There are different arrangements in different states. For example, the NSW exemption for religious bodies removes unnecessary administration, such as in relation to the many micro fundraising activities that take place within religious organisations. It is not clear if DR 6.2 to 6.4 would result in religious organisations coming under greater regulation in fundraising, and reporting.

The Report does not appear to address issues connected with accreditation, which were also identified as costly and time consuming because of the differing requirements of various government departments. In addition, the timing of accreditation processes can fall within the same timeframes for tenders, making it very difficult for NFP agencies to meet the requirements of both.

Consolidating Commonwealth regulation and improving transparency

In regard to the Commission’s specific request for comment, general feeling is against making a new national registrar a division of the Australian Securities and Investments Commission. The preferred regulator should have a focus on capacity building and providing assistance, not on policing. This suggests that the National Registrar should be a separate agency and not part of ASIC.

Anglicare network members have generally support transferring the Office of the

Registrar for Indigenous Corporations to the new regulatory organisation.

Chapter 7: NFP funding and resourcing

Taxation Arrangements

FBT exemption plays a vital role in giving agencies a fair chance of attracting and retaining a high quality workforce, particularly at the higher income level. In effect it is crucial support across all activities of the agencies who qualify.

If tax arrangements were to change, following the Henry Review, we would expect that some form of support equivalent to the PBI FBT exemption would be agreed between territory, state and Australian governments. A shift to the full funding of government projects at market value would not adequately compensate for existing exemptions, which have a broader impact.

In the meantime the failure to index the existing exemption has already eroded the improved viability for those in the sector who qualify for the exemption. New arrangements which simply reflect these diminishing circumstances would also not be acceptable.

Philanthropic support

In regard to the Commission's specific request for comment there was some support for expanding the range of not-for-profits requiring formal endorsement for Commonwealth tax concessions

Access to capital

There was also support for regulation that would allow for equity investment, particularly in the area of aged care, although we need to be cautious. According to the report, one of the main constraints on access to capital is 'inadequate and insecure Government funding' (p7.35). For instance, Government capital funding has not kept pace with need in the aged care sector. It could be argued that the adequacy of grant formulae needs to be addressed – though this is not taken up in the Commission's recommendations – rather than simply finding new ways to raise the money.

Following the GFC, another constraint is the loan to value ratios being adopted by lenders. This has meant that providers have to now use more of their own capital

with a lesser proportion from borrowed funds, making it more difficult to fund new projects.

Overall we see a positive role for intermediaries in facilitating NFPs' access to capital, as a way of overcoming a lack of Government funding and constraints on borrowing.

Companies able to issue shares and pay (capped) dividends on the capital invested – the UK Community Interest Companies proposed by the Commission – are but one possible vehicle. They would be less attractive for aged care where margins are narrow and there are various caps in place. Other models mentioned in the Report may be better for capital raising, such as low-profit, limited liability companies, which have charitable mission as a primary objective and source capital from pension funds and businesses.

Finally, given the current funding structure in aged care, it might make sense to establish structures which would allow high care residential providers (which do not collect bonds) raise capital from low care providers (which collect bonds).

Chapter 9: Facilitating social innovation

The detailed discussion on the disincentives for creativity and innovation is reassuring for people who have faced those challenges on the ground. Through highlighting several collaborative projects, including a number funded by the Australian Research Council, the Commission makes it clear that a lot of that innovative and creative thinking is happening already in both the community sector and academia. Too often when reform agendas are implemented, existing high quality and innovative work is neither acknowledged nor built upon.

If the Commission sees the need for coherent support for research and development in the sector, Anglicare suggests an audit of existing programs in order to identify gaps and build on current structures/programs.

Anglicare also welcomes the recommendation to use the Cooperative Research Centre model to support social innovation, and the acknowledgment that these processes could and should be led by the sector. However it will need a whole-of-government commitment, as innovation often cuts across different departments and different funding programs. Anglicare would like to see a more concrete recommendation for Government to support and resource social innovation and invest in a collaborative approach to complex challenges.

Chapter 10: The not-for-profit workforce

Addressing current and long term workforce shortages in community services

The key draft recommendation [DR 10.2] for governments to base their funding on relevant market wages when purchasing community services, is welcome. While the need for all levels of government – local, state and national – to adopt this approach is implied, Anglicare would like to see that expectation put more explicitly.

The Commission also recommends the Community Services and Health Industry Skills Council undertake workforce planning for the community services sector [DR 10.3]. However the context for this plan (which is acknowledged in the recommendation as ‘growing demand and increasing supply constraints’) is not addressed.

In other words, the community sector’s workforce problem is just one facet of a more fundamental challenge. As Treasury Secretary Ken Henry has been reinforcing recently, the issues of an aging and growing population and our inevitable, major climate change adjustment, is putting new demands on the whole Australian society. It is hard to see how the Skills Council can factor that level of change into its workforce plan.

Anglicare has argued in submissions to both the Commission and the Henry Tax Review, that Australia needs to shift away from its consumer oriented priorities and look to human and social resources as the economic basis for our society if we are to include everyone.

At the simplest level, that is about valuing, both financially and rhetorically, social services work. More deeply, it is about looking for new ways of drawing on the resources of people in the community, the community organisations who work with them, and governments that have the ultimate responsibility for funding and regulating those services.

A more efficient, collaborative, participatory approach to social services is fundamental to addressing the underlying workforce issues. Recognising the need for Government to work with the sector and the wider community to find new ways to do things is an urgent and necessary first step towards dealing with the workforce issues in the future.

The New Economics Foundation in the UK has championed a practical triple bottom line approach to the ‘commissioning’ of social services. ‘[A better return](#)’ published by the National Programme for Third Sector Commissioning, points to the efficiency which comes with a focus on public benefit while a more general

discussion around “core economy” in [Green Well Fair](#) [Coote, A. and Franklin, J.(2009) New Economics Foundation] puts social services at the centre of the economy.

If the Commission’s brief does not extend to recommending how the provision of social services is re-framed in Australia, Anglicare Australia would like to see it least consider more specific ways of identifying these social and environmental imperatives not merely as “spillovers” but as key outcomes that warrant major investment.

In the meantime, Anglicare along with Major Church Provider partners is working with a consultant with funding from Department of Education, Employment and Workplace Relations to develop some thinking around career development for our sector. The information gained through this project will provide data as to the status quo as well as recommendations for stronger career development options and closer relationships with the VET sector and universities.

Chapter 11: direct government funding

The general recommendations that governments fully fund services it would otherwise provide directly are welcome. While they are clearly addressed to all levels of government, some follow up at a COAG level would be needed to ensure a national approach. We would like to see the Commission recommend that support for Not-for-Profit sector itself is put on the COAG Agenda.

We would also like to flag concerns with how the proposal might work in practice.

DR11.2 proposes independent costings for new or significantly changed services or activities to determine their full cost. Independent cost assessments would be acceptable, provided they allowed for variations in contexts (eg urban v rural) and variation in the different structures and resources of organisations. However if it is a ‘one size fits all’ approach, or if there are other flaws in the costing model, then an independent cost assessment could result in an unrealistically low price.

The recommendation could be amended to refer to the specificity of services that are funded, and the inadequacy of a one size fits all approach to costing.

Also there needs to be a better mechanism to keep funds for a service at their original dollar value. The CPI (for example) rarely covers actual cost increases, in which case a program is going backwards after a couple of years, in funding terms.

The identification of a number of models for engagement to fund services is useful, although how that would be adopted by governments in practice remains

the issue. The comparative analysis of the progress that is and isn't being made by different governments and departments around Australia is particularly informative, but highlights the piecemeal nature of progress to date.

The report does not specifically consider the dramatic impact that political/media debate can have on existing projects and policy, putting an end on occasion to months or years of shared development work. Child protection is one area notorious for sudden changes in policy following intense media coverage, but even positive government imperatives can suddenly become too blunt and urgent (or 'political'). For example, the consequence of releasing land rapidly to address unmet demand for affordable housing has resulted in a failure to ensure the housing itself, once constructed, is sufficiently affordable, adaptable or well serviced.

The implications of the political and often populist nature of government to the delivery of services by the community sector needs to be acknowledged in the report. DR 11.3 calls for reasonable compensation for providers of contracted services when government policy changes. In terms of more complex iterative relationships with government, a separate process for recognising or dealing with *political* adjustments would be needed.

Anglicare Australia's particular contribution to this aspect of the inquiry was to suggest collaboration or co-production as one way forward. The Commission has picked up this proposal in DR12.2. That recommendation also needs to be amended, however, to suggest some protection from the disruptive urgency of media and politics.

Chapter 12: government funded services

Getting the model of engagement right

The draft report articulates in detail the sector's concerns with how the purchaser provider model operated in practice. While there is reference elsewhere in the report to the kind of simplification and clarification that would make this model more acceptable it would strengthen the case if the Commission were to explicitly state the need to make such improvements in DR 12.1

The support for client directed service delivery models, also in DR 12.1, does explicitly include a reference to safeguards. That caution is more than justified. A [recent UK evaluation](#) of individual budget programs by PSSU at Manchester University found that client directed care did not necessarily deliver better outcomes; and that for older people specifically, there was no evidence of cost

effectiveness, there was no significant difference in care related outcomes, and that psychological well being outcomes were worse.

From that research it seems reasonable to extrapolate that while many people will willingly assume responsibility to find, hire and manage a service which suits them, there are many others who will not want this responsibility and will be burdened by choice. Not all people have the literacy, experience and help needed to assume full autonomy – meaning some already disadvantaged groups could be further disadvantaged. Furthermore, the geographic distribution of Australia’s population enormously limits the possibility of choice, particularly in outer regional and rural areas.

As discussed earlier, the concept of a collaborative approach, as suggested in DR 12.2, offers the best potential for the development of projects that build social inclusion in the broadest, most dynamic sense, as well as making progress on the most complex and multilayered problems. Such projects of course often need to run for several years. They require a substantial investment in time and imagination, as well as funding.

Previous experience would suggest that such projects can be derailed through the political imperatives of changing media or economic landscapes. It might be best consider arms length processes for the management of large scale collaborative projects.

While it is important to recognise that programs deliver many indirect benefits such as community development, the creation of networks, other indirect benefits for clients and their families, DR 12.3 seems to suggest that agencies that can establish such benefits would have an advantage over those that cannot. Such benefits can be largely intangible or unquantifiable in monetary terms. This would also increase the research needed to be undertaken by organisations, which would advantage large operations. We suggest that this recommendation should not be cast in terms of value for money.

Anglicare Australia recognises the value of the lead agency model but point out that it requires a substantial investment in time and relationships with partners in the sector, something which may not be taken into account by funding bodies or the agencies themselves. Furthermore, the model can shift reporting responsibilities, and thus risk, from Government to the lead agencies. DR 12.4 does not appear to recognise that risk nor discourage inappropriate use of the model, and should be amended accordingly.

Streamlining tendering, contracting and reporting requirements

This report represents a major opportunity for this important issue to now be addressed by making strong and comprehensive recommendations to the Government. The Commission found that:

Arguably, the strongest message from the NFP sector in relation to government funded services is that the costs associated with tendering, contractual and reporting requirements have become excessive. Consequently, many community organisations are concerned that managing the administrative burden of having to tender and re-tender and comply with contractual and reporting obligations, has become 'core business' to the detriment of their ability to deliver services to the community (Report, p12.23)

Yet only a single recommendation is made [Recommendation 12.7] in the Draft Report. Anglicare Sydney has taken a lead on this matter in our network, and suggested new draft recommendations [12.7, 12.8 & 12.9] below, in order to cover adequately the following issues:

- a) **Streamlining funding applications and tenders to provide common administrative requirements across different Departments and levels of Government:** Most of the State and Federal Government funding available to the not-for-profit sector is accessed via a tender process. Each tender is specific and different from every other tender – with different criteria and demands. The process of tender application is extremely time consuming. Streamlining the process would reduce the administrative and resource burden on agencies and also provide a more equitable tender environment. Currently small agencies have difficulty finding the resources to commit to the tender writing process. However, if they do not comply with the process their programs will no longer be funded.

- b) **Transparency in the development of contracts, including feedback from the NFPs to improve the drafting of contracts:** The language of Government contracts with service providers is often confusing, as those drafting contracts are often quite divorced from service delivery issues. Government at all levels could improve their transparency in the development of these contracts and ask for feedback from the sector on any concerns about contractual conditions before contracts are finalised. The process to date has generally been that the service providers are offered a particular contract format (sometimes even without the applicable conditions) on a take it or leave it basis.

- c) **Removal of multiple contractual and reporting arrangements across departments:** Every Government Department has a different funding

agreement or contract with different accountability requirements. This creates issues in terms of multiple reporting and is extremely resource intensive requiring considerable commitment of staff time by the not for profit. In general, having one simplified contract with any government department (such as FRSP services) with one end date and simplified reporting requirements would be helpful. This would also reduce the auditing requirements.

- d) **A common acquittals process, with acquittals limited to the end of the contract term:** The acquittals process is complex and inconsistent across programs. Regardless of the length of the contract (1-5 years) acquittals have to occur annually. If there is a surplus, which is usual in the first year with set up etc, the not for profit has to apply to retain the surplus. Sometimes it can take 6 months or more before the result of the application is made known, which then puts pressure on the not for profit to spend any surplus before the end of the next financial year. It would be administratively easier if acquittals were not required until the end of the contract period. The not for profit could still supply an annual statement for accountability.
- e) **Standardising the reporting requirements for Federal and State Government departments:** With different funding types there is no consistent approach between the State and Federal Government in relation to reporting service delivery outputs – the State Home and Community Care (HACC) programs are reported quarterly and the Commonwealth National Respite Carer Program (NRCP) programs are reported half yearly. HACC goes through an integrated monitoring process and the Commonwealth goes through a quality reporting process. The two processes are different in that one requires the preparation of a self assessment desktop audit and the other conducts workplace assessment. Some service providers are responsible for several programs which each include the two types of funding streams. It would be helpful, therefore, if all governments adopted a more co-ordinated approach using one monitoring process.
- f) **Providing data access for services required to provide data to Government, to avoid costly double data entry:** Each government funded program has its own reporting requirement and separate database system. This requires data entry at the service end but provides minimal reporting back to the services. It is not possible to access the program data once it is entered in either the State or Federal Government database, and

so a system of double entry of data is required – which is extremely time consuming and inefficient. It is therefore recommended that Government review the current data capture system for funded programs with the aim of providing maximum data access to services for their own reporting and internal evaluation purposes.

- g) **Consolidation of Government databases:** Currently a significant amount of data is being captured by governments in various databases for various programs across the country. However there appears to be no intention to consolidate and analyse this data for high level reporting back to the sector on performance and outcomes. There is a consistent focus by government on inputs into the programs but very little reporting of outputs or outcomes back to the sector. Benchmarking and regular reviews of performance in key funding areas would be possible if such global data analysis was carried out.

A suggested revision of Recommendation 12.7, based on the foregoing information is as follows:

DRAFT RECOMMENDATION 12.7

Australian Governments should urgently review and streamline their tendering, contracting, reporting and acquittal requirements in the provision of services to reduce compliance costs. In particular, Federal and State Governments should:

- *Streamline funding applications and tenders to provide common administrative requirements across different Departments and levels of Government*
- *Strive for transparency in the development of contracts, including feedback from NFPs to improve the drafting of contracts. Government should ask for feedback on any concerns about contractual conditions before contracts are finalised.*
- *Standardise the reporting requirements for Federal and State Government departments, including the approach to and frequency of reporting*
- *Remove multiple contractual and reporting arrangements across departments. Government departments should have a single simplified contract and simplified reporting requirements.*
- *Introduce a common acquittals process, with acquittals limited to the end of the contract term*
- *Standardise accreditation processes, which currently differ between various Government Departments. The timing of accreditation processes should never fall within the same timeframes as tenders.*

DRAFT RECOMMENDATION 12.8

To reduce the current need to verify the provider's corporate or financial health on multiple occasions, even within the same agency, reviews should include consideration of:

- *development of Master Agreements that are fit-for-purpose, at least at whole of agency level*
- *use of pre-qualifying panels of service providers.*

DRAFT RECOMMENDATION 12.9

Where mandatory data collection is required through on-line data collection systems, that Federal and State governments undertake to provide copies of such databases to the services, to avoid costly double data entry by the services. Government databases from the sector be consolidated to provide high level analysis and reporting both at a service level and across the sector.

Chapter 13: building stronger more effective relationships

Compacts between Government and the sector [DR 13.1] are given practical effect in the contractual arrangements between the two. For compacts to be meaningful, the practical issues of the relationship would need to be addressed, including accreditation, contracts, tendering, funding and reporting requirements.

At a higher level, the role played by the sector in advocacy, in engaging with broad social issues and debate, and in responding innovatively to policy challenges, should be explicitly articulated.

END