

## **SUBMISSION TO THE PRODUCTIVITY COMMISSION REVIEW OF THE CONTRIBUTION OF THE NOT FOR PROFIT SECTOR**

### **1. Executive Summary**

Mission Australia welcomes the Productivity Commission's review of the contribution of the not for profit sector. The sector provides a diverse range of services and functions to meet existing and emerging community and social need. These services are delivered often independent of government funding support but increasingly through grant funding and under contract to government. An analysis of the not for profit sector's contribution is therefore timely given the level of government support through direct funding and indirectly via the taxation system.

The Commission is asked to recognise the complexity and challenges for community and social services providers in measuring outcomes when there is not always agreement on what a client outcome is. Mission Australia has made, and is making a significant investment in quality assurance, systems support and other measurement and evaluation tools supported by research, to track and ensure its programs are effective in delivering outcomes for its vulnerable and disadvantaged client group. A useful outcome for the Review would be to highlight to donors and funders, both private and government, the importance of adequate investment in program evaluation and research.

Inconsistencies in regulatory requirements for the not for profit sector across state and Commonwealth jurisdictions, including for example, different treatment of state stamp duties, are an impediment to the efficient operation of the sector. Mission Australia has argued elsewhere the value of appointing an independent charities commissioner to facilitate harmonisation of the existing complex regulatory environment in addition monitoring outcomes.

As an organisation seeking to facilitate sustainable change for its clients we submit that short term grant and contracting arrangements and on again/off again funding are detrimental to the delivery of long term sustainable programs required for client and community outcomes.

As a recipient of government grant funding and provider of government services under contract, Mission Australia supports a range of funding models to achieve targeted outcomes. Services delivered under contract, such as the Job Network, have been able to provide employment outcomes through an efficient use of taxpayers' funds. We submit that funding models allowing for greater program flexibility can be more conducive to innovation and producing locally appropriate solutions to community need.

The Commonwealth Government's Communities for Children Program and the new Family Support Program are examples of government funded programs that recognise the need for local responses and longer term community investment in achieving sustainable outcomes. Mission Australia would argue that investment over five to ten years with appropriate accountability mechanisms, would result in greater impact than current annual or even three year funding contracts. There is no 'one size fits all' for optimal government funding models with corporate and private philanthropy playing an increasingly important role in fostering innovation and social enterprise responses.

As an organisation that has developed a number of multidimensional partnerships with leading businesses, Mission Australia believes there is an important role for the corporate sector in building the capacity of the not for profit sector to deliver programs and services more effectively and efficiently in addition to providing funding, in kind and advocacy support. We would be pleased to provide more detail and examples to the Commission on what makes effective partnerships as we would of any other points made in this submission.

Mission Australia's model as a national organisation allows it to bring research and economies of scale to local community programs that smaller organisations struggle with.

## **2. Introduction**

Mission Australia is a non-denominational Christian community service organisation that has been transforming the lives of Australians in need for 150 years. We operate more than 450 services across metropolitan, rural and regional Australia – in every state and territory. In 2008 we assisted more than 330,000 people. Through our programs and services, we seek to eradicate homelessness, strengthen families and empower youth. We deliver entry level training and help unemployed people find permanent work.

Mission Australia's submission to the Productivity Commission's Review is made from the perspective of a large provider of community, employment and training programs, the majority of which are delivered under contract to government or through government grants. In 2008, 71 percent of Mission Australia's income was sourced from the Commonwealth Government, 13 percent from state and local governments and 8 percent from fundraising. Last year over 50 percent of Mission's expenditure was incurred in delivering employment and training programs under contract to the Commonwealth through the Job Network and related programs.

Our submission comments on five of the scoping issues the Commission has been asked to address in its terms of reference. The submission addresses these in turn in addition to commenting on the contribution of national lead organisations in the delivery of government programs.

Our comments are made from the perspective of a national social services provider that enables us to bring research and economies of scale in delivering a diverse range of local community programs in many locations. In the context of the Commission's draft framework for measuring the contribution of the not for profit sector as outlined in the Issues Paper (Figure 2), our output and outcomes focus is on client outcomes through service delivery and advocacy, with the impact of our programs extending to community engagement and community strengthening. Our service and advocacy focus is mandated by our vision to see a fairer Australia by enabling people in need to find pathways to a better life.

Our community impact is a direct outcome of the people we reach in the communities of disadvantage where we operate. Outcome hierarchies have been developed for each of Mission Australia's community services pathway areas of homelessness, families and children, and young people to provide a framework for assessing outcomes.

### **3. Measures of not for profit contribution and improving government policy and programs – what is an outcome?**

A fundamental challenge for Mission Australia and other community organisations that deliver client services is determining what an outcome is. This is particularly the case when client changes may appear relatively 'small' but are nonetheless significant and often an indicator of a client being 'on the pathway' to achieving more 'major' outcomes. There has also been a lack of consistent language across governments and the non profit sector on what an outcome is – some government contracts for example asking for reports on client outcomes which are in fact client outputs.

Mission Australia delivers a wide range of programs from short term one-off interventions to longer term intensive case management for clients suffering from mental illness, homelessness and long term unemployment. Many of the client services we deliver under contract have no government funding provision for measuring longer term outcomes. Mission's clients face complex issues and are often highly mobile, presenting many challenges in following up and tracking the effectiveness of interventions.

Place based interventions require long term longitudinal studies to effectively measure long-term client and community impact of programs. As programs evolve to more effectively meet emerging and changing community need, the challenge of consistent measurement of program effectiveness increases.

Securing funding for research, quality assurance and monitoring and tracking of program outcomes can be a difficult ask of philanthropic, corporate and government donors who prefer to ensure funding is directed to program delivery. This however is at odds with the increased demand for 'evidenced based' responses. Such research, quality assurance, monitoring and evaluation are critical to informing program development and delivery to ensure effectiveness of client outcomes. The effectiveness and efficiency of the community and social sector would be enhanced by government and other funders building in adequate investment to allow for program research, monitoring and evaluation. This also allows sufficient timeframes to allow such research and evaluation to be undertaken.

Mission Australia makes a significant investment each year into its Research and Social Policy Unit to inform its own service delivery but also contribute to national policy development. This Unit is partially funded by the Macquarie Group Foundation, one of the few corporate entities prepared to invest in research and policy development in the social sector. Mission Australia's program development has a strong evidence base.

Mission Australia's Pathways to Prevention early intervention family program in Inala, Queensland, has been a research collaboration over 10 years with Griffith University which has enabled the long term measurement of outcomes for children and their families accessing the program. This research has not only involved a longitudinal study of the children and families the program is working with but also has a major cost benefit analysis component. Both of these components are relatively rare in the Australia community services context but they are critical in terms of assessing impact. The Mission Australia – Griffith University collaboration has been partially supported by the Australian Research Council which has an important role to play in supporting high quality research initiatives, including those involving the non-profit sector. A major report on the Pathways to Prevention initiative is [attached](#). The strength of this program, supported by the research and evaluation was instrumental in the Commonwealth Government initiating a national Communities for Children program in 2003.

Mission Australia has developed a number of tools to provide quality assurance and to better frame, monitor and evaluate programs. Program logic and outcome hierarchies have been applied to our community services to provide clarity of outcomes and improve program effectiveness. The outcome hierarchies clearly identify the range of outcomes Mission Australia's Community Services are aiming to achieve and how these outcomes contribute to broader community outcomes, and ultimately how they contribute to a 'fairer Australia'. Mission Australia's outcomes hierarchy for children and family services is attached to this submission.

These tools have been supported by a major investment in a client management/program management tool – Mission Australia Community Services Information Management System (MACSIMS). MACSIMS is being piloted and rolled out across Mission's community services and will greatly enhance the capacity to monitor programs and client outcomes. MACSIMS also has the potential to interface with government department community agencies in the capturing and monitoring of client data and outcomes.

Mission Australia is currently undertaking a major new initiative called the Michael Project which is philanthropically funded. The Michael Project aims to:

- Improve the health and wellbeing, and social and economic participation of homeless men
- Improve access to stable, secure and long term accommodation for homeless men
- Articulate and implement a new model for support for homeless men
- Provide an evidence base for policy and program development in the delivery of services to homeless men.

A very comprehensive and complex research project is a core part of the Michael Project. It involves a 12 month longitudinal component as well as a cost benefit analysis study. The latter includes what impact the Michael Project has on health and justice costs which tend to be very high for homeless men. Such research is costly, relatively rare but very vital if a more comprehensive evidence base is to be built.

- ***The effectiveness and efficiency of the community and social sector would be enhanced by government and other funders providing adequate investment to allow for program research, monitoring and evaluation***

#### **4. Impediments to the efficient and effective operations of not for profits**

In its submission to the Senate Standing Committee on Economics Inquiry into the Disclosure Regimes for Charities and Not-for-Profit Organisations, Mission Australia identified the multiplicity of disclosure regimes and regulations applying to not for profits as an administrative burden and impediment to efficiency. In our submission we recommended the aggregation of the various state fundraising reporting requirements into a single, consistent reporting format under Commonwealth jurisdiction and the implementation of a standard chart of accounts.

As a national charity with significant fundraising activities in every state, Mission Australia is subject to disclosure requirements from federal and state regulatory authorities with varying compliance and reporting demands. Aggregation of the various state fundraising and licensing and reporting requirements into a single consistent framework and reporting protocol would be of significant benefit to Mission Australia and free up greater resources for serving the disadvantaged Australians with whom we work.

Mission Australia considers removing barriers to encouraging innovation in the not-for-profit sector as critical to enhancing sector effectiveness. Current government grant and tender funding arrangements are difficult to access for innovation and service pilots. Mission Australia and others in the sector have argued for a greater pool of funds to be available from government to fund innovative programs. Mission Australia has nevertheless, welcomed the inclusion of an innovation fund in the recent Job Services Australia contract and the stimulus for innovative employment and enterprise responses under the Commonwealth's Jobs Fund. Corporate and philanthropic donors are also often loathe to fund innovative pilot programs, preferring, as noted above, to support main stream program and service delivery.

It could also be argued that competitive tendering, while enabling the cost effective provision of government services by employment and community services providers, can, because of commercial drivers, act as a barrier to knowledge sharing that would facilitate innovation and the development of best practice programs.

As noted above, Mission Australia makes a significant annual investment in research and its dissemination as a contribution to knowledge sharing in the sector. We see this as critical in identifying and developing more effective ways of meeting emerging community need.

- ***Current government funding arrangements do not encourage the innovation critical to more effective service delivery***

## **5. Improving delivery and outcomes of government funded services by not for profit organisations**

One of the biggest challenges faced by Mission Australia and other community services providers delivering government funded programs is sustainability and consistency of funding. Programs in disadvantaged communities requiring long term place based interventions require a consistent funding stream. On again/off again funding, one, and even three year funding agreements, are not always conducive to such long term approaches and sudden funding withdrawal can be disruptive or terminate vital programs without outcomes being achieved. Short term funding also stifles innovation as service pilots require longer lead times to implement and assess.

Longer term funding agreements that allow for some program flexibility would enhance the effectiveness of government funded program delivery. The Commonwealth Government's Communities for Children Program and its evolution into the Family Support Program is a good model of a government funded program that enables flexibility within boundaries for facilitating partners to enable local solutions to be developed.

Such place based strategies signal a recognition by government that longer term community interventions that accommodate innovation produce effective outcomes. Mission Australia would argue however, that five to ten year funding cycles with appropriate accountability mechanisms, would result in more effective outcomes particularly in areas of significant disadvantage. This approach also recognises that local organisations are well placed to facilitate the development of local solutions rather than a 'one size fits all' approach being imposed by government. Such arrangements also encourage sector collaboration, facilitating knowledge sharing and best practice development.

The AusAID Australian NGO Cooperation Agreement Program is also a good model in an overseas aid context of longer term government funding with built in flexibility for its Australian development agency partners that could usefully be adopted for delivery of domestic community programs, particularly in an Indigenous context where long term whole of community development approaches are required.

- ***Longer term more flexible government funding will enhance sector effectiveness and sustainability***

Mission Australia is supportive of a community sector standards approach in the application of quality frameworks to government funded community services. State governments are developing their own essentially similar quality frameworks and as a national provider Mission Australia is required to comply with at least 4 of these. We would support a coordinated approach for these frameworks which could be developed as national benchmarks rather than a series of state initiatives.

- ***A national approach to community sector quality frameworks would be beneficial in practice and resources***

## **6. Changes in relationships between government, business and community organisations in improving sector outcomes**

Mission Australia has welcomed the increasing community focus being demonstrated by the business sector consistent with a more enlightened approach to sustainability and corporate responsibility. We see a valuable role for the business sector working in partnership with government and the community sector in addressing community need. Mission Australia enjoys innovative partnerships with leading businesses including Macquarie Group, PricewaterhouseCoopers (PwC), Freehills, Westpac, AGL and Telstra. While these partnerships have enabled a diversification of the funding base for Mission Australia programs and strengthened our advocacy on behalf of disadvantaged, significant value has been provided through accessing professional skills and services to build capacity and improve the effectiveness and efficiency of our program delivery.

Business services provided by PwC have assisted in the development of Mission Australia's client management data base, MACSIMS and business modelling for our recent acquisition of ABC Learning Centres. Freehills have been longstanding providers of pro bono legal and regulatory advice which has included assisting in the establishment of Mission Australia Housing as a community housing association. Through a supply partnership with Telstra, Mission Australia has been progressively improving Mission's IT and communications effectiveness in support of geographically diverse services. The Telstra partnership also provides the potential to apply technology based solutions for new models of service delivery through greater use of mobile services, teleconferencing etc.

Mission Australia does not see a role for government in driving these partnerships other than as a facilitator. The Australian Employment Covenant is another model of a business partnership that can work with government and community providers in delivering more effective employment outcomes for Indigenous Australians.

- ***The corporate sector can make a significant contribution to capacity building in the not for profit sector resulting in more effective service delivery***

## **7. Impact of the taxation system and competitive neutrality**

In its submission to the Senate Inquiry into the Disclosure Regimes for Charities and Not-for-Profit Organisations, Mission Australia recommended that current taxation concessions associated with income remain in place. It was further recommended that charities and non profit organisations be exempt from state-based taxes to remove current inconsistencies across jurisdictions and inefficiencies. An independent Charities Commission could work with states to facilitate taxation consistency.

Mission Australia is supportive of current taxation concessions associated with employee benefits and would wish to see these remain in place to allow the sector to attract talented employees.

Mission Australia would however, be open to the introduction of a “Social Purposes Test” to assess the nature of profit making activities for taxation purposes. As a significant provider of government funded social services Mission Australia enters into government contracts, the successful implementation of which can lead to surpluses which are channelled back into funding organisational infrastructure or deficit generated community programs. It would be Mission Australia’s expectation that should there be a change of policy to tax not for profit activities generating an income, a tax deductible donation could be made back to the entity for its charitable work reducing any taxation liability.

Mission Australia has previously submitted to the Treasury that overly limiting the capacity of Prescribed Private Funds to accumulate capital could have a significant adverse impact on their future capacity to provide a growing and valuable sustainable income stream for charities. Mission Australia will await the detail of this measure in the enabling legislation and accompanying regulations to assess its impact on philanthropy and the sector.

- ***An independent Charities Commission could facilitate a simpler regulatory environment to enhance NFP effectiveness and be an effective broker between government and the sector.***

## **8. The role of lead providers – contract nationally, deliver locally**

The Commission’s Issues Paper has invited views on the extent to which government is moving to ‘lead provider’ relationships and the potential exclusion of smaller not for profit organisations.

As a national community services organisation Mission Australia delivers services both as a lead provider of government agencies but also as a local level provider alongside grass roots community organisations. In delivering local services our model allows us to bring research and economies of scale to local community programs that small community providers can struggle to deliver. In an environment of growing accountability it is harder for small organisations to meet government requirements.

As noted above, Mission Australia, is a facilitating partner in the Commonwealth Government Communities for Children/Family Support programs. We commend this funding model in bringing together the capacity building expertise of large organisations in facilitating local community groups developing locally based initiatives. These arrangements are developing new relationships, both between government and the NGO sector and between NGOs and other organisations at a community level.

Mission Australia is confident that its national structure, supported by state and local level management, leaves it well placed to provide a wide range of locally appropriate services within its employment, training, homelessness, families and children, and youth pathways.

Innovative and flexible government funding models that recognise new ways to deliver local responses to community need, can facilitate effective service delivery by both small and large organisations alike. For example, locally based social enterprises have the potential to make a strong community contribution. Larger organisations like Mission Australia can play a partnership and incubator role and bring national resources and economies of scale to facilitate the scaling up of promising local social enterprises.

- ***Lead national not for profits with national contracting bring economies of scale to local programs***

## **9. Conclusion**

As a diverse national community services provider, Mission Australia welcomes the Productivity Commission's study into the contribution of the not for profit sector. As an organisation that works in partnership with government, business and community sectors, we see a partnership approach as an effective means of providing client and community outcomes.

Challenges in measuring client outcomes in the social services sector can start to be addressed by government and donors acknowledging the importance of investing in measurement and evaluation tools, service innovation, research and knowledge sharing.

Mission Australia's experience suggests that there is no 'one size fits all' funding model for the optimum delivery of effective and efficient client services. As a long term employment services provider to the Commonwealth Government under the Job Network and from 1 July under Job Services Australia, we believe national contracting models can be effective means of delivering government programs and services. More flexible funding models are also able to distribute government funds effectively and facilitate appropriate place based responses.

We would be pleased to expand on any of the issues covered in this submission to assist the Commission in its Inquiry.

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