

WILLOUGHBY CITY COUNCIL
MAY, 2009
SUBMISSION TO THE PRODUCTIVITY COMMISSION
RE. CONTRIBUTION OF THE NOT FOR PROFIT SECTOR

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This submission is prepared from the perspective of Local Government that, although not a not-for-profit organisation;

1. fulfils many of the activities often identified with the not for profit sector (as listed by the International Classification of Non-Profit Organisations and provided in the "Issues Paper")
2. works closely with the not-for-profit sector in the provision of services
3. is well-placed to support community capacity building and promote social inclusion

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EXECUTIVE SUMMARY

Of the 7 objectives of the Productivity Commission's review, a particular interest of Council is consideration of "ways in which the delivery and outcomes from government funded services by not for profit organisations could be improved."

Throughout the most intensively populated regions of Australia, Local Government is an active provider of a diverse range of services. Council's often work alongside, and are analogous to, the not-for-profit sector. As such, the role of Councils and the use of Council assets must be considered within any review of the effectiveness of the distribution of government funds to not-for-profit organisations.

Council proposes that the most resource efficient and cost efficient distribution of public money to direct community service provision requires implementation of an entirely new service delivery mechanism. The underpinning feature of this mechanism is strategic enhancement and co-ordinated use of;

1. existing local and regional infrastructure, and
2. the managerial, administrative and communication systems in place to the operation of community-focused services and facilities.

The network of infrastructure targeted by Council's proposed service delivery mechanism includes Council-owned regional and community libraries, sporting and recreation facilities, community centres, childcare centres and office space. The existing Council structures, administrative systems and amenities should be expanded and utilised more extensively for the delivery of Commonwealth and State-funded services.

The role of State and Commonwealth levels of government would be the continued development and administration of required policy and control measures while community service delivery is undertaken either by Council and/or the Third Sector and occurs at the local and regional levels.

Improved use of regional and local infrastructure for the delivery of community services will require:

- Commonwealth and State investment in and expansion of existing infrastructure
- Direct Commonwealth - Council/ROC funding
- The development of agreements about how Councils and the Third Sector access, share and utilise local and regional infrastructure
- Re-assessment of how Councils and the Third Sector both tender for Commonwealth and State funds, and contribute to policy development

The proposed delivery mechanism will generate the following benefits:

- Reduced duplication of establishment and operational costs while maintaining the diversity of service delivery (i.e. cost effective distribution of resources)
- Improved standard of local and regional infrastructure
- Improved community knowledge of and access to both generalist and specialist services
- Facilities and services that are responsive to local interests, needs and aspirations
- The development of community and regionally-oriented hubs and service centres

WILLOUGHBY CITY COUNCIL – A BRIEF PROFILE

Willoughby is a medium sized local government area located within the lower North Shore of Sydney, 8.5 kms north of the Sydney CBD. With an area of 23 sq. km the City of Willoughby hosts a blend of retail, commercial, industrial, residential, institutional and recreation districts. It is located in close proximity to major employment zones and has access to a variety of quality public transport, retail, educational and health facilities. The city is populated by approximately 64 000 residents of which just over a third were born overseas and almost 30% are from Non-English Speaking Backgrounds (primarily China, Hong Kong, Korea and Japan). Residents are mostly high income earners (\$1400 - \$3000 per week) who either own or are paying off their own homes. 66.5% of households are either traditional nuclear or alternative family types. (2006 ABS Statistics)

Willoughby City Council - Service Provider

One of Councils' functions is the provision of a range of high quality services to residents, the local workforce and other visitors to the area. Council is a direct service provider of aged care, disability services, child care, Culturally and Linguistically Diverse (CALD) services, recreation, education, facility management and youth services. The scope of issues addressed by Council include physical, emotional and social health and wellbeing; social and economic inclusion; access to information, services and facilities; environmental health and safety; and the provision/management of local infrastructure. Through small grants programs, officer participation on community-focused committees and working groups, and Council's concession fee structures for not-for-profit use of Council assets, Council actively supports the Third Sector in the delivery of their services to the community. Council also partners with service providers from the not-for-profit sector to facilitate the improved provision of services to community members (e.g. Baptist Community Services and Catholic Health Care in the design, construction and service delivery of a new Dementia Day-care Centre in Chatswood.)

Council utilises the following attributes to deliver a range of services to the community;

- Community location and focus – intimate knowledge and understanding of local and , regional communities, and their needs/interests
- Professional staff with diverse skill sets and expertise
- Local people (residents) with appropriate skill sets who assist through volunteering
- An organisational capability to deliver community and public services – (from point of contact customer service, financial management, promotions and marketing, strategic planners, community support workers etc)
- An organisational capability to partner effectively with regional councils (ROCs), other levels of government and the not-for-profit sector
- The capacity to deliver services without a profit-making imperative. Any surplus that is generated is directly reinvested in service provision and/or enhancement of community facilities

A NEW DELIVERY MECHANISM

IMPROVED USE OF EXISTING LOCAL AND REGIONAL INFRASTRUCTURE, EXPERTISE & COMMUNITY-FOCUSED RELATIONSHIPS

Established Infrastructure and Relationships - The social and community infrastructure, the operational hardware and proven community-focused relationships necessary for effective delivery of many community service types are already strongly established both within individual Councils and/or Regions of Council's (ROCs). It is anticipated that the coordinated use of local government structures for some service types would markedly reduce the duplication of establishment and operational costs across the three tiers of government and the multiple departmental silos that exist within them. Examples of service types that could easily be delivered within Council-owned facilities include community education with "classes" utilising computer networks located within local libraries; employment placement and training, health and welfare catchment and referral networks; and co-location of appropriate service types operating out of Council owned and operated facilities.

As the community services sector is collectively required to adopt more cost efficient service models and the size of the consumer target population increases, it is only logical that existing community-oriented infrastructure is expanded and supported to service the communities in which they are located.

Personnel - Councils generally engage a highly skilled multi-disciplined staff, many of whom are professionally linked to the communities in which they work. Many council staff are appropriately skilled to advise about service needs and gaps, relevant models of service delivery and to oversee the establishment and operation of services within the community. The diversity of skill sets currently present in Council include psychology, sociology, human movement, social planning, nursing, IT, accounting, environmental science, HR, financial planning, counselling, PR etc. Under the proposed delivery mechanism, the personnel that undertake service delivery could be employees of either local government or agencies within the not for profit sector. Service delivery and related staffing costs would be funded in whole or in part by State or Commonwealth funding as is currently the case.

Councils/ROCs – Not a Stop Gap Measure for Service Delivery – Currently if a not-for-profit or commercial provider fails to deliver a service or folds (as is the case with the recent ABC Childcare Centres) there is often a strong community expectation that Council should either undertake delivery of the service or, at the least, advocate on behalf of the community for the resumption of service delivery.

"A key finding of the PwC study is that some councils often spend a portion of their resources attempting to address service and infrastructure gaps that are actually regional or state issues. Both state and local government need to better recognise when such issues are beyond the capacity or responsibility of an individual council. Such issues are better solved with resources and input from other regional councils, local government associations, and state and Australian levels of government.

(Excerpt from Key findings of Price Waterhouse Cooper research, 2006)

Local examples include recent moves to re-open the Naremburn Public School, and community calls for Council to advocate for the continued location of community-based mental health support services at Hercules Street, Chatswood (both State level responsibilities).

Council makes clear decisions about its Corporate direction and its responsibility to community members in terms of the types of direct service delivery to which it will commit resources. For example, Council staff do not undertake casework or client work and staff are directed to refer individuals to appropriate external service providers for support/counselling/case management (may be referred to Government, private or not-for-profit providers). When opportunities arise to engage in the tender process for community service delivery, Council generally does not compete with the community sector. However, if there is a decisive business case for Council to deliver a service not being delivered by the private or community sector, Council may consider the issue on its individual merits.

Under the proposed model both the not-for-profit sector and Council would be better placed to plan for, tender for and manage specific service types more effectively and in accordance to identified community needs and expectations. The proposed Commonwealth/State funded – ROC/Council model would retain and actively support participation of the not-for-profit sector in the tender process.

The proposed model would also lessen the potential for Council to be burdened by cost shifting (from either the State or Commonwealth Governments)

Cost shifting is another phenomenon sometimes making life difficult for councils. This occurs in two forms. One is when local government agrees to provide a service on behalf of another tier of government, but funding is subsequently reduced or stopped. The second is when another sphere of government ceases to provide a service and local government steps in in response to community demands.

(Excerpt from Key findings of PwC, 2006)

COMMENTS – FROM AN OPERATIONAL PERSPECTIVE

At an operational level Council would provide similar feedback on this topic to the Productivity Commission as the Third Sector (see dot points below). It is acknowledged that some of these issues either have been, or are in the process of being, addressed (as per Attachment C of the Discussion Paper provided).

Funding and Reporting

- Introduction of 3-5 year funding cycles for service delivery (including reviews of funding objectives) (e.g. HACC funded services have recently moved to tri-annual funding)
- The full cost of service provision is realistically considered during the development of funding agreements (i.e. staff and related on costs, hire/upgrade/building of suitable premises, IT expenses, advertising and promotion, service delivery throughout the funded area, transport, administration, insurance, auditing and other legal expenses, staff training and development etc.) Currently the purchaser/provider model focuses primarily on the delivery of the service the purchaser wants either to purchase or outsource. The tendering (and reporting) process is resource heavy in terms of administration and staff time. Consequently only larger organisations are in a position to subsume both the cost of tendering and the additional operational expenses when the tender is successful. A primary consequence of this is that diversity within the sector diminishes, as does consumer choice.
- Reporting requirements better reflect the level of funding provided to not for profits. Reporting for small amounts of money is often onerous, inefficient and time-consuming. Consequently reports may not accurately represent the outcomes achieved through the funding program (e.g. DOCS (NSW) CSGP partial funding of Council's youth work programs. A report that takes 2-days to complete for funding of approx. \$11,500. Note: The distribution of CSGP funding was reviewed in 2008.)

Service Delivery Pilots and Research

- Pilot programs/services should be developed cooperatively with funding providers and implemented over 3 year time frame utilising action research methodology to measure outcomes and test service strategies. As is currently the case, pilots should be reviewed regularly to monitor effectiveness and relevance. Ultimately, funding bodies should hold an expectation that at minimum, several elements of a pilot will be continued on a recurrent basis and will need to be adequately funded beyond the life of the pilot.
- Investment in the not-for-profit sector for the purpose of promoting innovation and ingenuity in service delivery and the delivery of service delivery models that are responsive to consumer/market needs. The Third Sector knows their target market and the social, environmental and economic circumstances that drive their dependence on the sector. Significant, sustained and flexible investment in the implementation of local strategies by the Third Sector is essential in averting environments where social exclusion and isolation are evident. Often effective strategies are extremely simple but the sector needs freedom within the funding relationship to implement them. Additionally, service providers in other localities need access to information about both effective and ineffective frameworks (to prevent re-inventing the wheel). The Federally funded "Re-connect" program did this well.
- Not for profit peak bodies better resourced to undertake thorough consultation with the sector and provide information to Policy makers. Currently consultation often occurs on a piecemeal/ad hoc manner and/or the sector needs to rely on academic research projects to highlight policy gaps and priorities. ACOSS and the state-based COSSs generate well researched feedback but many other not-for-profit peak bodies are not resourced to do this well.
- Council officers are very well linked throughout numerous service delivery networks and are well-placed to fulfil an advisory role beyond the boundaries of their own Councils. The extent to which an officer can participate in the policy development process at either State or Commonwealth levels is at the discretion of Management, however where there is an imperative for initiatives to be delivered at a local level (e.g. Drug and Alcohol related initiatives, Healthy Cities, Domestic Violence initiatives, mental health services located in community hubs etc.) it is important that the Local Government perspective is clearly presented and considered by policy makers.

Partnerships and the Role of Corporates

- Where Government / Not-for-profit partnerships are developed, these should be based on each partners' demonstrated capacity to deliver specific elements of the program/service. The division of responsibilities for each partner for service provision and economic investment should be clearly specified in the Partnership Agreement in simple language and each party held directly accountable for the areas of the agreement that they undertook. Relationships where a Purchaser-Provider funding model is in place should not be perceived by any party as a "partnership."
- Increased incentives (e.g. tax incentives, financial inducements) and public acknowledgement of "for-profits" that practice different versions of corporate citizenship (e.g. staff volunteering as mentors, sponsorship/donations to not-for profit sector, employment/training/ placement of marginalized people, Innovation grants, mini-business/enterprise establishment loans etc.). It should also be noted that in times of economic downturn corporate support for not for profits may diminish as this expenditure could be perceived by owners/share-holders as non-essential. Conversely, investment within the Third Sector by Corporates may increase as active Corporate Citizens recognise and respond to significant community need.

Tender Processes

- EOI Process –the two-phase EOI process for the more substantial government tenders is significantly more resource effective for the not-for-profit sector as numerous employee/management hours are not used preparing documentation that are unlikely to be successful. Where a not-for-profit organisation presents as possessing the capacity to deliver a service to an appropriate standard, but is clearly incapable of competing with other providers either within the tender process, of it is suggested that these organisations receive assistance in the preparation of funding submissions and the presentation of their organisation. This type of support should be made available to the not-for-profit sector by the funding agency well in advance of the final tender due date to give them time to implement the learning within their final submission.
- Avoidance of funding mechanisms by which for-profit providers can “cherry pick” clients with less complex support needs and leave high-need clients to the not-for-profit sector. Current funding models can be manipulated by for-profit organisations to target select “easy-to-manage” clients and exclude people who have higher support needs. This has been particularly evident in the employment placement sector since the decentralisation of that industry in the mid-90s. When this occurs, other service organisations such as Council and agencies within the not-for-profit sector can be left to respond to and/or manage highly complex, sometimes volatile, high need clients. Often these organisations are not adequately equipped or resourced to assist the person, and despite well intentioned efforts, the individual may become further disengaged.

To avoid this situation funding agreements could be structured so that a successful tenderer must;

- a) clearly define the organisation’s intended target market;
- b) stipulate that x% of the total funded client base are high-need clients;
- c) service y number of high need clients during the funded period
- d) demonstrate how savings generated through support of low-need clients can cross subsidize the cost of high/complex need clients.
- e) outline a combination of all or some of the above

OTHER RELEVANT REPORTS / INFORMATION

This submission should also be considered in tandem with;

1. The Australian Local Government Association submission to the Productivity Commission re. Study Into Local Government's Own-Source Revenue (July 2007)
2. The National Financial Sustainability Study of Local Government – Price Waterhouse Coopers (November 2006)
3. Discussions about the New Model of Federation to take place at the Local Government Assembly in June, 2009