

Submission to Productivity Commission Research Study: Contribution of the Not for Profit Sector.

Southern Youth and Family Services

Introduction

Southern Youth and Family Services (SYFS) is located in the Illawarra region of NSW and provides a range of social welfare services to youth and families in the local area, Shoalhaven and a youth refuge in Goulburn. In this financial year SYFS is providing 32 services - under 19 different contracts - 11 services funded through 11 separate contracts by 3 Federal Government departments and one Federally Funded Consortium (FaHCSIA, Health and Ageing, DEEWR); 12 services through 3 contracts in 4 joint State and Federal Programs; and 9 services through 5 contracts with State Government Departments (Community Services, Housing NSW, Department of Health, Education and Training and Juvenile Justice).

Measurement

SYFS complies with significant performance monitoring and reporting requirements to the government agencies from which it receives funds. These include:

- quarterly reviews/ progress reports
- data returns including online reports
- annual work plans
- annual self evaluation reports
- six monthly/ annual financial reports
- audited financial statements
- monitoring visits/ interviews
- project reports
- annual report and AGM minutes

Because SYFS receives funding from multiple agencies any or all of these measures may be required for over 30 services. In addition to the sheer volume of information required, is the issue of the lack of standardisation of monitoring data and differing timeframes. This means that different systems must be designed internally to capture the information required by each program/agency or information has to be re-packaged to suit differing formats. Nor is the required reporting congruent with the level of funding received. SYFS collects its own data set across the organisation as part of its planning and evaluation strategy. This data includes client information, service outputs and client outcomes. Duplication occurs in collating data to meet the requirements of government programs as the reporting formats all vary. However it is necessary for SYFS to maintain its own system in order to have timely, consistent and accurate internal data across the organisation.

Some data submitted by providers is used to compile statistical reports on the outputs from programs at both the local and national level. The Reconnect Program administered by FaHCSIA is one example of this. The reports produced by the Australian Institute for Health and Welfare using SAAP data is another. However in many cases service providers only get back the information they have entered and in the case of some on-line systems even that may not be available or accurate.

On line reporting and data collection systems have a mixed track record. In some program areas their introduction has been accompanied by assistance with technology upgrades and training for community organisations. In most cases the systems have been cumbersome, temperamental and time consuming. Staff in community organisations spend hours contacting 'help' desks and attempting to explain the inexplicable. All of this effort may be spent on data input which cannot be retrieved or in some cases is faulty.

Much of the multiplicity of information collected by government agencies seems to be used only to insure compliance by providers with contractual requirements many of which are superfluous or 'over the top' in the first place and disproportionate to the risks involved. This situation results from the internal separation of functions within government agencies such as policy development, funding, purchasing and service provision. The separation of policy development from administration means that feedback from on-the-ground experience is missing from policy formulation. This is born out by the experience of community organisations being asked 'where's the evidence' by policy makers whose own agencies have collected it.

Ideally data collection should be uniform with some allowance for specific program objectives. Data collected by government agencies should be collated and analysed by an agency which has the expertise and resources to provide information back to the funder and service providers in a timely fashion so that program planning and service delivery can benefit. We acknowledge that there is a cost to the use of an agency such as the Australian Institute of Health and Welfare (AIHW) but there are hidden costs in collecting data through multiple systems that do not meet the information needs of all parties.

Some government funded programs have a pre-occupation with outputs with little concern about process or client outcomes. Accountability requirements and performance indicators that bear little or no relationship to the service being provided increase the feeling of service providers that some government agencies are more concerned with micro-management than with developing and supporting good practice and innovation. There is little respect or understanding by Government Departments of the impact on a community agency funded through multiple sources and their need to have a consistent minimum data set across their organisation. Furthermore the requirement to meet stringent outputs can affect the quality of service provision and the scope of organisations to respond creatively to community need.

Performance indicators tend to measure outputs more than outcomes. The measurement of outcomes, where they are counted, is based on the judgement of service staff. The use of empirical data to measure outcomes in human services is flawed because performance indicators cannot measure nor should they seek to measure work processes, cause and effect, relationships or long term outcomes. Performance indicators allow services to count services delivered and even whether intended outcomes have been achieved but they do not account for 'real' or unintended outcomes.

There is justifiably some measurement fatigue within the section of the not-for-profit sector providing community welfare services from the imposition of performance measurement tools which fit ill with the complex and inexact nature of human service processes. The values and structures of community organisations imbue them with a sense of responsibility and accountability to their clients and communities over imposed efficiency measures.

Community welfare services and networks offer a collaborative model of service which is not replicated within government departments. Service users are seen as participants in service delivery. The relationships which service users form with each other and the relationships that they develop with the community organisation providing support are not measured. To a large extent the service user is left out of performance monitoring systems imposed by purchasers. Outcomes such as increased self confidence, community connectedness, trust and independence are not captured by performance indicators. Qualities which service users value such as respect, friendships and opportunities to acquire skills all of which lead to social inclusion require different types of evaluation.

Services do need to know whether they are doing a good job and this requires a range of strategies which should involve clients, services, government and others. SYFS, like many other agencies, uses a variety of methods to collect information on client satisfaction and outcomes. This information is resource intensive to collect and analyse but agencies in the not-for-profit sector see this as an integral part of their role. This type of information is only useful at the agency level and only if obtained in a timely way so that improvements can be implemented. Government level data collection should only seek to measure a core set of outputs. Services should be funded for the time and the resources required to collect data and provided with appropriate data collation tools, which have been developed in consultation so they have a practical application, with which to gather client data. Systems for gathering data should work across the service network not just be about individual services. Data collected should be able to be analysed by the services which collect it to enhance service delivery and contribute to research which informs policy discussion.

There have been some attempts by governments to reach a common minimum data set. Many of these attempts have not included community participation in the discussion or in the development of such a system. These attempts are often not been successfully implemented because they become too onerous, too detailed and based on a misunderstanding of what can realistically be collected. The development of the Supported Accommodation Assistance Program (SAAP) data collection through the Australian Institute of Health and Welfare (AIHW) was successful. Supported by training and support for community agencies, the data collection has remained in place for many years now with increasing participation in it.

Measuring outcomes is only one part of measuring the success of community welfare organisations. Measurement is not evaluation, it is one part of it.

Tendering and Retendering

The competitive tendering process is onerous for community organisations in terms of the time and resources required to prepare them - a cost that is never acknowledged. The structure of the tender process generally does not consider the current work of the organisation, the outcomes they are obtaining or evaluations being carried out. The process gives little weight to the history of an organisation's performance.

Local knowledge and community links are undervalued. It is hard to believe that a well established regional organisation should lose out to a service from a capital city or another State or another country! Local services with a range of services may lose out to services coming in to provide a particular program. Competitive tendering impacts on collaboration and information sharing within the sector. Organisations are much less likely to share information, service models and best practice than under earlier regimes of grants and subsidies. The inclusion of for-profit organisations in tender eligibility has exacerbated this situation. Issues of 'intellectual property' were unheard of previously in the sector.

The burden of tendering could be alleviated somewhat if there was coordination between Government agencies about the information required. It is inefficient for organisations to have to provide the same information time and time again. SYFS along with many other agencies and peak groups urges the development of a registration process whereby an organisation is assessed as meeting basic standardised criteria which is recognized by both the Federal Government and State Governments. The submission or tender process then would then require agencies to submit information on how they would implement a particular service or program.

Many organisations already undergo extensive accreditation or quality assurance audits as part of funding requirements or business practice. Some recognition of these across departments could be incorporated into the registration of eligible agencies process. This may require specialist modules to be established within a broader accreditation process. For example an agency such as SYFS would be accredited through the Office of Children's Guardian. In order to provide health programs to young people should only require additional compliance in the area of health service provision - not an entirely separate accreditation process.

Requests for Tenders (RFT), Expressions of Interest (EOI), Approach to Market (ATM) and other processes adopted by governments have become increasingly complex, legalistic and resource intensive. Prescribed application forms are not always user friendly and may require significant technological skills to navigate and lodge. Repetitive questioning is common as are requests for details of service delivery should be the responsibility of the service provider, not government. Requests for detailed work plans should be replaced by broader requests about implementation and achievements. Requests to summarise and provide in a different format several years' previous audits, to cost other agencies' contribution to a project, to describe links and partnerships are now required in a far too detailed a way. Financial information on budgets should only have to be provided in broad terms i.e. not across specific multiple line items. Financial requests should be GST exclusive.

If a service is successfully delivering a program is it necessary to call for open tenders? Wholesale commitment to open tendering should be replaced with a variety of other procurement processes such as selective tenders, preferred provider recognition and grant funding to avoid dismantling infrastructure and working relationships only to have them rebuilt by another organisation. Some State Governments have moved to adopt processes which aim to recognize the nature and motivation of the not-for-profit community sector and to support that ethos rather than to impose a market-based or business philosophy.

Financial Reporting

Financial acquittals for the expenditure of government funding should be simpler. For agencies with a positive 'track record', an external audit based on Australian Auditing Standards should be sufficient. The requirement to account across multiple line items is not efficient. It does not enhance accountability for an agency to have to explain whether \$20 was spent on food for a clients or their phone bill. Either way the funding contributed to the service being delivered and the outcomes being achieved. Other examples of onerous requirements include; having twenty line items for expenditure and having to ask permission if any become overspent and another item is underspent; not receiving the final payment till the end of the grant period yet having to account for the expenditure necessitating a loan to the project to cover this; having insurance coverage increased arbitrarily with no increase in funding then having to write to the department each time seeking a negotiated outcome; not receiving a funding agreement till well into the funding period.

We support the FaCHSIA review of red tape issues and in our submission to that process we have requested the following in regard to financial reporting and systems :

- Simplified financial reporting systems and timeframes for agencies with a good track record of compliance and unqualified audit, reduced reporting should be implemented
- Plain English funding agreements
- Regular half yearly or quarterly grant payments not linked to irregular milestones
- Audit requirements in line with Australian Auditing Standards respecting each agency will have different requirements based on their organisational structure and chart of accounts
- As mentioned above removal of line item requirements with funding to be provided based on agreed outputs and outcomes
- Reasonable reporting timeframes
- Audited financial statements should be adequate as the annual reporting mechanism

The results of this process once agreed with community services and implemented could be replicated across all government funding programs within both the Federal Government and State Governments.

Funding Issues

Not for profit community welfare services rely on government funding to be sustainable. The capacity of the community sector to self fund is limited to fee for services, philanthropic funds (limited in Australia, particularly NSW and usually non-recurrent funding) or redistribution of funds from programs which allow the retention of surpluses. Alternative funding sources through fundraising activities, partnerships with business or philanthropic organisations is extremely difficult for smaller or regional not-for-profit agencies who cannot offer contributors a 'return' on their investment. Nor do these organisations have the resources to devote to chasing donations. Within the constraints imposed by purchasing arrangements, not for profit agencies often add significant value to the funds received through the integration of services within the agency, through interagency collaboration and voluntary work.

The community sector has absorbed significant increases in costs during the last decade as they have struggled to become 'business-like', develop skills in tendering for contracts and operate within an increasingly risk averse and regulated culture. The time and resources spent in adapting to this environment are rarely acknowledged and largely unfunded.

The uncertainty of funding is an issue for clients of community services and providers. Organisations may wait for months for confirmation that a program will be refunded and lose staff to more secure futures while they wait. Funding granted to the not for profit community welfare sector is generally of a relatively short term nature with three years being the maximum and shorter timeframes common. This gives little recognition to the value of investing in building the capacity of the community welfare sector to respond to community need, develop partnerships and encourage community participation.

Some projects are funded on a short term basis as demonstration or pilot projects. This terminology implies that a project which achieves the agreed outputs within the available funding will be considered for refunding if the need for it still exists in the community. Often no recurrent funding is available at the end of the initial contract regardless of the success of the project. This affects morale, strips away infrastructure and leaves clients with expectations that can no longer be met.

The not-for-profit community welfare sector has limited access to capital funds to purchase buildings, new technology, vehicles or amenities. Purpose built or renovated properties with appropriate space for client services and staff amenities are essential to delivering quality services. We want to emphasise the importance of government assisting community agencies to build infrastructure. This would provide a platform for agencies to contribute to the development of new projects, assist them in building an asset base and in the ability to leverage other funding.

The lack of adequate and regular indexation or supplementation to grants is another funding issue. Without adequate indexation the level of service delivery declines as wages and overhead costs increase. Community agencies need to know that annual indexation is guaranteed in line with the consumer price index and wages movements. Community agencies should not have to lobby for what should be a routine funding adjustment. Nor should the efficiency dividend be applied to not-for-profit community

agencies. Savings that may be possible in a large government department have no application in community agencies with minimal infrastructure. The application in recent years of the efficiency dividend on community programs has seen an erosion of community services.

Workforce Development

The issue of the inequity of wages between workers in the community welfare industry and those in comparable government services is well documented but has not been addressed by government. In fact governments as stakeholders often oppose increases to sectoral Awards because of the increased funding that will be required to meet an increase in wages or conditions. This places this industry in a difficult position as delivering quality services in an industry where approximately 70-80% of all funding goes into wages is reliant on improved wages and conditions for its workforce.

The limits on resources for workforce development and to provide career paths within the industry is also well recognized but again government has not supported community agencies to address this. For many years the community based welfare industry drew on the commitment of a cohort of baby boomers and others whose employment choices were motivated by the chance to make a difference rather than by the remuneration offered. Fewer people these days can afford to make that choice.

The not-for-profit community welfare industry now assumes responsibility for providing services to people with increasingly complex needs. The regulatory and legislative framework within which it operates has become increasingly complex and technological advances continue to impose further change. The high turnover in community industry jobs is a direct result of the lower pay and poor conditions. Most people leave the social and community services industry to go to comparable but better paid jobs within the public sector. The industry must be funded to enable pay equity with similar public sector positions to attract people with appropriate qualifications and skills not only at the coalface but in management and administrative support roles. Community agencies should be given some flexibility in their funding to become “employers of choice” and this will only be achieved through improved wages and conditions.

Organisations must also be resourced to provide specialized training and support staff wishing to enhance their qualifications through higher education and to retain them through adequate remuneration. Other improvements required include adequate funding to relieve staff who are attending training in services where there is a duty of care requirement for supervision and the removal of the sleepover allowance in residential services as staff should be paid when on duty at work;

Contract Management, Outsourcing, Compliance and Program Administration

The rhetoric of government departments is often couched in terms of the community sector in 'partnership' with government however in reality the relationship has become one of purchaser- provider bound by legalistic contractual arrangements. Within this framework organisations are required to provide substantial amounts of information and demonstrate compliance which even exceeds that of normal commercial contractual arrangements. One example is the requirement on providers to submit detailed workplans to some departments or itemized expenditure details.

Accountability requirements need to be relevant, achievable and consistent. They should provide information on the effectiveness and outcomes of funded programs to the service provider and their clients, the funding agency and to the sector in general. Accountability and risk management requirements should be commensurate with the risks involved.

Outsourcing is another form of contractual relationship whereby a government provided service is provided by a non-government organisation. As the purchaser, government defines who the clients of the service will be and what price it will pay for services to them. Outsourcing has been driven by a desire to decrease the size of government and a presumption that outsourcing alongside competitive tendering has advantages for government in terms of cost, flexibility and quality of service provision. While outsourcing is not new, the outsourcing of complex social welfare services and the inclusion of for-profit organisations in this process raises issues that outsourcing of simpler services does not ; issues of privacy, transparency and quality.

In our submission to the FaCHSIA red tape review we requested the following in regard to administration and accountability:

- Simple, standardised reporting systems and timeframes with adequate advance notice of the format. Reports should only require information on the project approved, the strategies implemented, the outputs and results and information on barriers to achieving the results.
- Regular client data collection which forms the major reporting mechanism to the funder
- A reduction in the amount and frequency of monitoring data, progress reports and performance reporting
- Agencies with a positive track record of service delivery and data reporting, could have a reduced reporting regime implemented
- Provision of the agency's annual report and audit should be adequate

The results of this process once agreed with community services and implemented could be replicated across all government funding programs within both the Federal Government and State Governments.

Taxation For Non Government Organisations

Current taxation concessions are important for community not-for-profit agencies. There are various concessions available. However some groups may not qualify as they do not provide direct care but may be an advocacy or peak group. These groups should be included in the group of agencies which can receive Public Benevolent Institutions (PBI) Status as this will assist the agency because the tax concessions prescribe the types of Fringe Benefit Tax and salary sacrifice measures that can be adopted and thus the benefits/incentives that can be offered to Staff. These are examples of the current system making some organisations, especially those that are diverse, less competitive (or competing on an uneven playing field). The PBI is especially contrary, because it specifically excludes early intervention and education type activities, which are those now favoured by governments. So the more we move towards early intervention as best practice, the greater the percentage of service activities (and therefore services) which will no longer meet the PBI requirements.

Relationship of the Not-For-Profit Industry to Government.

The not-for-profit community welfare industry has always tried to influence government policy development through advocacy. During the last decade government support for activities such as advocacy and community development has declined. Community organisations, threatened by the loss of contracts in future rounds of tendering have reduced their advocacy roles. In some cases contracts specifically prohibited organisations from speaking out. The reform process and the move away from core grants to contracts also restricted the ability of not-for-profit organisations to 'fill in the gaps' through flexibility and innovation.

The changes that have occurred in the not-for-profit community welfare industry as a result of the 'marketisation' of welfare have had a number of negative impacts for community organisations, their clients and government. Community organisations have been regarded as simply providing a service defined by government for the best price. In managing contracts and outsourcing, governments have themselves invested heavily in monitoring and accountability mechanisms which are costly, which stifle innovation and which imply a lack of trust.

Building a more inclusive society requires greater involvement of not-for-profit organisations, in all shapes and sizes, and through them community engagement and participation. The current purchasing arrangements and increasing outsourcing of previously government services means that the sector must now be involved in program design and implementation

Government can no longer view the industry as a 'subcontractor' carrying out government policy/ programs and requiring strict monitoring. The knowledge and history of community organisations in contributing to public policy needs to be recognized and their on-the-ground experience fed back into current policy development.

A compact which identifies and articulates shared goals and the principles which underpin the relationship between government and the non-profit community welfare industry would go some way towards re-establishing a collaborative relationship which encourages participation. However it will not address all the issues. The Compact will need to be supported by funding and assistance to address the issues raised in this paper.