

SUBMISSION TO THE PRODUCTIVITY COMMISSION

THE MYER FOUNDATION and SIDNEY MYER FUND

INTRODUCTION

The review into the contribution of the not-for-profit sector, and the barriers and incentives that impact on efficiency and effectiveness, is timely. Things that are changing include:

- the government's commitment to strengthening the sector and the government-sector relationship
- recognition of the role that the sector plays in informing policy
- increased philanthropic giving in the Australian community through PPFs
- the traditional relationships between government, business, philanthropy and the sector
- the regulatory environment of the sector

The changing environment brings opportunities and challenges. One of the biggest opportunities is the development of the philanthropic sector and the potential for new engagement of it with the not-for-profit sector. Decisions that are made now will have long term consequences for philanthropy's involvement in the development of a good society.

This submission does not address all the Terms of Reference for the review – only those that are of interest to the Foundation and the Fund.

SCOPE OF THE REVIEW AND THE FRAMEWORK

The government's broad approach to defining the sector is supported and generally the scope of the review is appropriate, especially in valuing the contribution of volunteers.

However, narrowing the review to include mostly those services that have a contractual arrangement with the government may leave out an important part of the sector. This is comprised of organisations that deliver services directly, provide member services, provide a voice for the sector on particular issues, and gather information, often evidence-based, that is used by the government in policy and program formulation.

These organisations may receive no government funding yet they deliver high quality services through direct services, advocacy, capacity building, regional coordination, community development, research, and policy advice that are critical in contributing to the delivery of the government's aim of social inclusion. There may be many reasons why they are not receiving government funding, and lack of funding should not imply that they are not good and worthwhile organisations. It would be a loss to not have these organisations included as great work is done by them, their issues are important, and they may well seek government support if they could sort out some of their capacity barriers.

Suggestion:

- That the review increases its focus to include as many organisations as possible that provide member services, those that receive most of their funding from private sources, and those that may not be receiving any government funding. These organisations could be identified by the sector, peak bodies, and funding organisations including philanthropic foundations.

ISSUES AROUND MEASUREMENT

The review plans to measure the economic and social benefits of the sector. While recognising that economic and social benefits are not always separate, is there capacity for the review to take into account the potential lost costs if the sector, or parts of it, were not present or functional? For example, services that provide innovative ways to get and keep young indigenous boys in education are saving enormous future resources that would be spent on additional health care, unemployment, and homelessness for these young people. The Clontarf Foundation is a good case example of a system that, as it engages young boys in education, it prevents truancy, alcohol and other drug misuse, criminal and anti-social behaviour in the short term, as well as maximising the longer term advantages already mentioned.

Suggestions:

- That the review broaden its measurement methodology to examine and determine the “opportunity lost” costs of the sector
- That the Clontarf Foundation model be used as a case study of innovation that produces results.

OTHER REVIEWS AND INQUIRIES

The Issues Paper acknowledges the need to refer to several previous inquiries and reviews and to incorporate recommendations from them into the current analysis. In particular, recommendations arising from the *Inquiry into Charitable Organisations (1995)* have relevance. Recommendations 6 and 7 state that the Government should “...take into account all cost components required to deliver the service, including, in addition to human resource costs...” costs associated with organisational support, research and evaluation. The government’s response says that this has not been implemented. Recommendation 9 also relates to this concept, albeit in a slightly different way and with a narrower focus. It calls on funding agreements for Community Social Welfare Organisations to incorporate funding for staff salaries and overheads for organisations that are funded for services that are not direct service delivery. The government’s response says that progress has been made in some jurisdictions.

These three recommendations recognise that the sector struggles to meet its operational and development costs. The lack of funding for operational support and organisational growth has a lot to do with organisations not being able to afford to do the things that make them good, viable, and sustainable. They then suffer a flow-on effect and experience problems in recruiting and keeping good people, creating a successful profile that will attract other sources of funding, and developing public confidence in them and the sector. Programmatic funding alone is inadequate.

A more recent inquiry that has relevance to the Productivity Commission study is the “*Senate Inquiry into Disclosure Regimes for Charities and not for profit Organisations 2008*”. A particular recommendation that has relevance, amongst others, includes Section 2 which calls on the government to establish a unit within the Department of Prime Minister and Cabinet for the not-for-profit sector. This would provide a much needed focus for the sector, and a mechanism for directly using the work of the sector to influence policy and program development.

Another important review is Treasury’s “*Improving the Integrity of Prescribed Private Funds*”. The suggested changes in the Discussion Paper relating to a 15% minimum contribution from PPFs will seriously impact on the not-for-profit sector by reducing philanthropic funding into the sector. As recognised in the Productivity Commission Issues Paper “A small minority of not for profit organisations receive the bulk of their funding from government. Most rely on private contributions (such as fees, philanthropy and ‘in-kind’ gifts).” (p9). At a time when demands on the sector are increasing and turn-away rates are also increasing, such reductions in philanthropic support would have very deleterious effects.

Suggestions:

- That the review take into account all the existing information and data from the *Inquiry into Charitable Organisations (1995)* that outlines the issues for the sector in not receiving adequate funding for operational, organisational and developmental costs
- That the review consider the recommendation relating to the establishment of a unit within the Department of Prime Minister and Cabinet for the sector as outlined in the “*Senate Inquiry into Disclosure Regimes for Charities and not for profit Organisations 2008*”
- That the review take into account the current review of legislation and regulations in relation to Prescribed Private Funds and in particular, recommendations that may limit the development of philanthropy in the community.

THE CHANGING NATURE OF RELATIONSHIPS

The Terms of Reference state that consideration will be given to the changing relationships between government, business and community organisations. This should be broadened to include the relationships with philanthropy. It is already well known that the development of PPFs, and existing philanthropic foundations, are an enormous source of financial support to the sector. An emerging trend is for these sources to want to become more involved in the funding partnerships, whether they be with government, business or the sector. This will be important as the Commission considers issues around regulation and reporting, and the capacity of organisations and the sector to participate in multi-partner relationships.

Suggestion:

- That the review examine the role that philanthropy plays in supporting services and the sector more generally, in partnership with government and business, and that case studies be used to demonstrate the complexity and effectiveness of these relationships
- That the review examines how an emerging type of high-engagement philanthropy will impact on the sector, and how the sector can be encouraged and supported to maximise these opportunities.

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