

Local Community Services Association

The Contribution of the Not For Profit Sector

Submission to the Productivity Commission Study 2009



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1. Introduction

1.1 Local Community Services Association

The Local Community Services Association (LCSA) is the peak body for neighbourhood centres in New South Wales. LCSA was founded in 1974 to act as the representative coordinating body for neighbourhood centres. LCSA provides resources and communications networks for neighbourhood centres, advocates on issues affecting neighbourhood centres' communities and service users and represents neighbourhood centre interests to government. LCSA specialises in assisting its members with community management and community development strategies. LCSA is a member of the national Australian Neighbourhood House and Centre Association.

1.2 Historical Development of Neighbourhood Centres in New South Wales

'Neighbourhood Centres' refer to organisations which have a variety of names and appearances - Community Centres, Community Development Projects, Community Aid Centres, Neighbourhood Houses, Community Houses, Community Learning Centres. The most common name in NSW is 'neighbourhood centre'. In other states 'neighbourhood house' is more common.

Neighbourhood centres have existed in NSW since at least 1961. They grew along with the movements for self help, resident action and welfare rights. Neighbourhood centres reflect a move away from dependence on traditional welfare as they enable disadvantaged people and communities to participate in the decisions which affect their lives.

NSW Government funding of neighbourhood centres began with small seeding grants in the late 1960s and was boosted by Australian Federal Government funding through the Australian Assistance Program (AAP). The AAP emphasised the development of local initiatives and participation.

The number of neighbourhood centres steadily increased as funds were made available. The Department of Youth and Community Services (which became the Department of Family and Community Services and is now the Department of Community Services) funded 32 centres in 1977. In 1978, this rose to 59, increasing to 143 by 1984-85.

From 1976 the department operated a Neighbourhood Centre Programme specifically orientated to neighbourhood centres. This was amalgamated with the Community Information Centres Programme in 1980 - Neighbourhood Centres came under both. In conjunction with LCSA and its member neighbourhood centres, the department developed its own *Neighbourhood Centre Policy* in 1985.

In 1991, neighbourhood centre funding was incorporated into the Community Services Grants Program (CSGP), which funds a range of community services. Through this program the Department of Community Services continues to fund a large number of the approximately 300 Neighbourhood Centres in NSW.

Many early neighbourhood centres began as Community Aid Centres, Citizens Advice Bureaux or Community Information Centres. Since the 1970s, many Centres have adopted a community development focus. In recent years, the diversity of neighbourhood centres has increased, as centres adapt to meet changing community needs. A number of neighbourhood centres now act as multi-purpose community service centres while others focus on one or two services or activities.

Neighbourhood centres have evolved specifically to meet the needs of their local communities and reflect the fact that these needs are different in each community - rural, provincial towns and cities, outer metropolitan Sydney, inner urban Sydney. While some differences between neighbourhood centres reflect historical and political events and pressures, most reflect conscious choices and strategies to meet specific local needs.

1.3 Common operating principles and practices

Despite the differences that reflect local demographics and need, neighbourhood centres in New South Wales share common operating principles and practices which can be summarised under three headings:

(a) Social inclusion

Neighbourhood centres are based on the belief that all people have equal right to the benefits and opportunities of our society. While being recognised within their communities as being open to the whole community, they have always sought to direct their resources to the most disadvantaged and least powerful groups in their communities. They enable groups and individuals to overcome social isolation through the development of community networks, mutual support and collective action which improves the quality of life for an entire community.

(b) Local participation and control

Management by members of the local community provides direct accountability to that local community. Local residents and groups can identify community needs, plan and develop effective and appropriate responses and take part in the management and control of those activities. Neighbourhood centres belong to their local communities. When people face problems, they turn first to families, friends and neighbours. Neighbourhood centres are an extension of this local, familiar support and aid network. They are friendly places where service consumers and community members are indistinguishable and all know they are welcome and are treated in an integrated way. An often unrecognised strength of neighbourhood centres is their combination of their social inclusion agenda with the local capacity building that comes through developing members to participate in and lead a community organisation.

(c) Community Development focus

Neighbourhood centres have always focussed on working on the causes of social problems rather than the effects or symptoms. Neighbourhood centres seek to resource and support those most affected by problems and issues to become active agents instead of remaining passive dependants in the welfare system. Self help, mutual support, community education and collective action are neighbourhood centre strategies. Neighbourhood centres developed to ensure that short term and emergency responses are complemented by long term, developmental and preventive action. The community development service strategy which underpins neighbourhood centre functions is centred on increasing access, equity and participation. Neighbourhood Centres are flexible, innovative and responsive to their local communities.

1.4 Classifying Neighbourhood Centres

Neighbourhood Centres have long recognised that a major hindrance to demonstrating the value of their work as a sector is the diversity of the sector due to the factors outlined in 1.2 above. Individual centres usually combine a number of different activities as classified by the International Classification of Non-Profit Organisations (ICNPO). A survey of seventeen different centres represented at a recent LCSA Management Committee meeting identified Social Services and Development as the major

activities of their services, but these centres also contributed to six other activity categories: Culture and Recreation, Education and Research, Health, Environment, Advocacy, Volunteerism Promotion.

Therefore to locate neighbourhood centres within the ICNPO framework, can best be classified as Multi-Activity Social Service and Development organisations. This submission provides the perspective of these organisations in NSW for the Productivity Commission's study.

Table 1: Varieties of services provided by Neighbourhood Centres in NSW (from survey of 126 centres, March 2009)

Type of Service	% Providing service
Information, Referral and coordination in relation to external services	93.7%
Community development and capacity building programs	83.3%
Providing access to external services on your premises	66.7%
Community events (craft fairs, open days, arts exhibitions etc)	65.1%
Children's services, including supported playgroups, vacation care, breakfast clubs, homework clubs etc.	48.8%
Emergency relief	42.1%
Multicultural Programs	39.7%
Family Support Services	38.9%
Youth Programs	38.1%
Pre-vocational Education and Adult Learning	37.3%
Living Skills	34.9%
Support services for Aged and/or disabled people, such as assisted shopping, Home visiting and Meals on Wheels	29.4%
Health Related Programs	27.8%
Other services for Aged and/or disabled people including Day programs, home modification and maintenance	27.0%
Programs specifically engaging the Aboriginal community	19.8%
Outside of School Hours Care	14.3%
Community transport	12.7%
Long Day Care and/or Preschool	4.8%
Other services	53.2%

2. Measuring the Contribution the not for profit sector from a Neighbourhood Centre perspective.

2.1 Categorising the roles and modalities of contribution of the sector

As multi-activity social service and development organisations, the strength of the contribution which is made by neighbourhood centres is not only found in the distinct contribution of the specific services which constitute a particular centre but in the linkage of those services within one organisation and, frequently, one location. This, combined with the community base and management of neighbourhood centres, creates locations which are recognised by the surrounding community as being for and of the community. The result of this identity is that people with specific needs and issues often access neighbourhood centres more readily than they do services which are publicly identified as meeting those needs. This is because many potential service clients experience a sense of stigma which makes them reluctant to access publicly identified specific services, whereas they will approach a neighbourhood centre because it is identified as belonging to the whole community.

Case Study 1 – The value of soft entry points – Belmont Neighbourhood Centre

“This week, (March 2009) I have had extensive meetings with a few different project managers from two large charities. They are all offering well funded, valuable, targeted programs to support families and young people at risk in Windale, Gateshead.

“The overwhelming problem these projects are encountering is community engagement. That is, they are running researched, planned and trialled projects in an area of demonstrated need, however, for some reason, they cannot get the community to participate.

“These programs have a distinct focus which is known to all but they are being offered in an area where people know each other so any one client's participation will be public knowledge. Potential clients are hesitant to participate for fear of having to give information they do not want their neighbours to know. They also fear that any information may be passed back to 'The Government', that is, DoCS, Centrelink, The Tax Office.

“These are a few of the limiting factors, stigma, judgment, fear which are overcome here at Belmont Neighbourhood Centre because we offer a soft entry point. Clients feel safe coming here because it is a location many people visit for socially acceptable reasons; therefore there is no outside knowledge of the particular reason for their visit.

“Clients are able to become comfortable, familiar, and safe in the environment before there is an expectation of information being given and they feel in control of what information is given. They have the opportunity to discuss with staff (with whom they are familiar) any matters of concern before they have to make the decision to become involved.

“Clients respond well to soft entry points. They then access services that they would not otherwise access.”

Lynda Little, Manager, Belmont Neighbourhood Centre

Case Study 2 – Access to mental health services – Nimbin Neighbourhood and Information Centre

“There is a strong culture in Nimbin which rejects most health services in favour of alternative medicine, as well as general suspicion around mental health services and a reluctance to engage with such services. Family members and friends of people with mental health problems have tended to feel as though they would be betraying their relative/friend by approaching a mental health service on their behalf. This attitude was also linked to police activity around people with alcohol, other drugs and mental health issues. Family members/friends would suffer their own trauma as they attempted to manage the situation by themselves with very little support.

“The community wanted to see a worker on the street who was able to engage with people with mental health issues as they did not present to services until they reached acute stage (and even then, often not). The community also wanted to see a more preventative and supportive approach to this group of clients. Given the occupational health and safety issues around sole workers working from the street, the community agreed that the next best option would be a worker located at Nimbin Neighbourhood and Information Centre. We are positioned in the heart of the village next to the prime ‘hot spots’ which are the public toilets, the pub and the park. Many of the client group regularly came into NNIC for food, emergency relief vouchers and other help and we have been developing a one-stop model of service over the past 5 years.

“A Nurse Practitioner with 25 years experience in mental health was employed around 10 months ago. The worker took up her new office space here at NNIC in January 2008.

“Protocols have been developed around privacy and the sharing of information, particularly between the Integrated Care Nurse Practitioner and the other staff at NNIC. A very strong relationship has been developed between NNIC and Nimbin Health. Nimbin Health provides the overall supervision of the nurse practitioner and North Coast Area Health Service provides clinical supervision. The NNIC Team Leader provides her day to day supervision.

“The nurse practitioner is accredited to schedule clients and also to prescribe limited medication as an intermediate measure until the client is successfully referred on to appropriate primary care. When clients are suffering onset of a psychotic episode, we no longer need to wait until they reach the acute stage before we are able to assist them to stabilise. We have seen a significant downturn in acute incidents as a result. Additionally, the nurse practitioner has been better positioned to work with clients to attend primary services voluntarily, reducing the need for restraining scheduled clients.

“Since the nurse practitioner has been located at NNIC there has been a sharp increase in self-referrals to her, indicating that the client group finds NNIC more accessible than the hospital. There has also been a strong demand for appointments with the nurse practitioner from family members and friends of people experiencing mental health issues indicating a significant level of trust in the service and a turnaround from the former trend. Our biggest problem has turned out to be managing the demand upon the worker so as not to burn her out in her first year! This is not what we anticipated would occur; we thought it would take much longer for the trust in the service to develop and the service to establish itself.”

Natalie Meyer, Co-ordinator Nimbin Neighbourhood and Information Centre, 2008

There is an emerging body of international theoretical analysis and empirical evidence which has started to document how neighbourhood and community centres are contributing a range of indirect support services to the local communities they work with by providing access to community based information and referral services. This evidence will be cited in the research study **Neighbourhood and Community Centres: results for children, families and communities**, which is being prepared for LCSA by the Social Policy Research Centre of the University of New South Wales and which will be completed in June 2009. LCSA will make the study available to the Productivity Commission study when it is completed.

The unique strengths of locally based multi-activity social service and development organisations are found in their combination of their sense of ownership by the local community through community based management, their wide range of services and activities, their ease of accessibility, their branding as being for "the whole community", the social inclusion focus created by this mix and their consequent ability to bridge the gap between the service system and the real life experience of many potential clients of that system. Nevertheless these very strengths have made much of their particular contribution difficult to measure and have also contributed to a mindset within both elected and bureaucratic arms of government which sees these contributions as "soft" and discounts them in comparison to the contribution of discrete, single focus services whose outputs are easier to measure.

This problem is exacerbated by two interacting factors, the siloing of government activity within a rigid departmental framework and current reporting systems. For example, the Community Services Grants Program, administered within the NSW Department of Community Services has historically provided the core funding for neighbourhood centres in NSW. Enterprising centres, responding to the needs of their communities, have then built a range of funded services on the framework provided by this core funding. This range of services contributes to the particular strengths of the multi-activity Social Service and Development model mentioned above. However, the increasing focus of the contractual arrangements between government agencies and their central agencies is a narrowly defined remit which means that each agency seeks increasingly narrowly defined outcomes and discounts the value of the model itself. As neighbourhood centres are highly reliant on government funding, and their preventative and community development focus has prohibited most of them from gaining public benevolent institution status, this development seriously undermines their viability. Current reporting systems focus on numbers of activities accomplished and numbers of clients engaged. There has been no real framework for outcomes and no capacity to aggregate data across the sector. The result of this is that a senior public servant and long term executive of the Department of Community Services could state in 2006 "We do not know what neighbourhood centres do". Meanwhile individual services and their staff continually risk burn out as they try harder and harder to do more and more with limited resources in order to prove their value within a system which is neither able to recognise nor measure some of their most important contributions.

LCSA agrees with the statement in the Commission's Issues Paper:

The contributions of the not for profits arise directly from their pursuit of these roles, and from the processes by which they pursue their objectives. Contributions of the sector are both direct from the delivery of services to clients, members and the general public, and indirect through the induced changes in government and business activity. Not for profit organisations influence the social values of the community and the 'social capital' that underpins the informal and formal institutions that govern market, political and community behaviour. p21

The central issue for the sector is measuring contribution accurately and fairly, particularly when the impact of the contribution is not solely in service delivery, advocacy, connecting the community and enhancing community endowment but in the mix and interaction in each of these elements.

2.2 A conceptual framework for measuring the contribution of the sector

LCSA, in partnership with its member organisations and the Department of Community Services, has been working on a framework for measuring the contribution of neighbourhood and community centres particularly through CSGP funded programs and activities since July 2006. At the recommendation of senior department officers, LCSA engaged with the Results Based Accountability work of the Fiscal Policy Studies Institute to establish this framework.

The Commission can obtain more detailed information on Results Based Accountability through Mark Friedman's websites <http://www.fiscalpolicystudies.com/> and <http://www.raguide.org/>. Following a visit by Mark Friedman to the UK in March 2000, The Commission's study would also benefit from understanding the impact of results Based Accountability in the UK where it is known as Outcomes Based Accountability. Following a visit by Mark Friedman to the UK in March 2000, his work became the basis of the outcomes framework underpinning Every Child Matters and the 2004 Children Act. The framework has had a wide operational application through county councils and has been evaluated in the paper Better Outcomes for Children and Young People: From talk to action¹. A set of case studies which illustrate the use of this framework are also available.²

The first 18 months of the pilot project, funded by DoCS, proceeded through trial and error and considerable frustration as the project sought to integrate the material of the Fiscal Policy Studies Institute with the data needs and framework of the funding body and the real experience of service delivery of LCSA members. The learning created through this experience provides some valuable insights into the necessary prerequisites for a conceptual framework which do justice to the complexity of the sector's contribution and the close relationship of that contribution with the contribution of many other sectors of society, particularly governments. LCSA believes these insights can inform the Commission's study.

(a) The need for clear and common language including a clear definition of what constitutes a result.

The end points sought by the not for profit organisations which are the major focus of the Commission's study are conditions of well being for children, young people, adults, families or communities. These are variously called, results, outcomes or goals. Agreeing on the use of one of these terms is a good starting point for clarity, but beyond that is the requirement that these terms only be used to describe conditions of well being for children, young people, adults, families or communities and not the strategies which are used to attempt to attain these conditions. For example, the NSW State Plan, which has many excellent features states strategies such as "Customer Friendly Services" and "Early Intervention to Tackle Disadvantage" as State Plan Goals, thereby falling into the trap of many government bodies of evaluating their work against the achievement of a strategy rather than population indicators which measure results.

(b) Governments, acting together and in consultation with community stakeholders including not for profit organisations should establish and agree a set of headline population indicators.

¹ Better Outcomes for Children and Young People: From talk to action, 2008, Department for Children, Schools and Families, UK, available for download from <http://www.dcsf.gov.uk/everychildmatters/resources-and-practice/IG00327/>

² Turning the Curve Stories, 2008, Department for Children, Schools and Families, available for download from <http://www.dcsf.gov.uk/everychildmatters/resources-and-practice/IG00327/>

Enough work has been done on population indicators (such as Community Indicators Victoria) to achieve an agreed national set of indicators and means of gathering and disseminating data for them. Indicators should be published as trend lines over time to present a proper understanding of how particular communities are faring. In line with the insights of Results Based Accountability, this should be accompanied by the recognition that no one program, agency or even government acting alone can be responsible for improving the trend lines of population indicators, that this is the responsibility of the community as a whole and all agencies and stakeholder acting in partnership. Once a set of population indicators are established the whole community through its key stakeholders at local (say, LGA) level should be engaged in reviewing the trends, identifying the most pertinent indicators and devising strategies to improve them.

- (c) **Program measures must not be confused with population indicators and governments must recognise they can contract for services which may contribute to population results or outcomes but they cannot contract for population results.**

Program measures can be devised within the framework of "How much did we do?" "How well did we do it?", "Is anyone better off?" Within the Results Based Accountability Framework these provide a basis for individual service planning, service quality improvement, evaluation and reporting. This is important because at the service delivery level frameworks of measurement need to be integrated within service delivery with service staff understanding how these frameworks add value to their services. If measurement and evaluation frameworks are not viewed in this way by practitioners the collection of accurate data is severely impeded.

- (d) **Sufficient funding must be available to research adequately the total picture of "What works?" or "What makes a contribution to population results?" adequately.**

This is a particular concern for smaller locally based, multi-activity social service and development organisations. If population results are to be achieved, the service system needs to develop to a level of sophistication which includes both case management and community development strategies operating in tandem. In New South Wales over the past two decades there has been a systemic derogation of the importance of locally-based grassroots community initiatives, however, community development practitioners have lacked the funding resources to engage the research which can demonstrate their contribution. This leads to an "evidence base cycle" where government and government agencies rely on a relatively narrow research base and question the validity or effectiveness of certain approaches or programs which lie outside that research base yet fail to fund the additional research necessary to prove whether their prejudices are accurate.

- (e) **Initiatives around measurement must recognise and resolve the tension between the need to measure in order to improve the quality of service for clients and to contribute to improving population indicators and the need to prove "value" within dominant economic paradigms.**

Figure 1 illustrates the experience of LCSA's Results Based Accountability Pilot Project when trying to deal with the implementation of Results Based Accountability, which was focussed on the impact of programs on the lives of clients and the needs of a government funding body to demonstrate that its funded programs are contributing to its contractual obligations to the central funding agency.

The NSW Treasury (NSW T) has taken some concepts from Results Based Accountability and melded them with concepts from other systems to produce a hybrid version of Results Accountability which DoCS has then taken and further refined using its own results logic framework. This means that by the time Neighbourhood Centres came to apply this to their services (NC Services), what they were seeking to do bore only a passing resemblance to Results

Accountability as designed by Mark Friedman. The full learning from this experience and the way LCSA and its member centres have addressed it is set out in the Autumn 2008 edition of LOCAL which is appended to this submission.

Figure 1 – Distorting influences in applying a Results Based Accountability framework to Neighbourhood centres in New South Wales

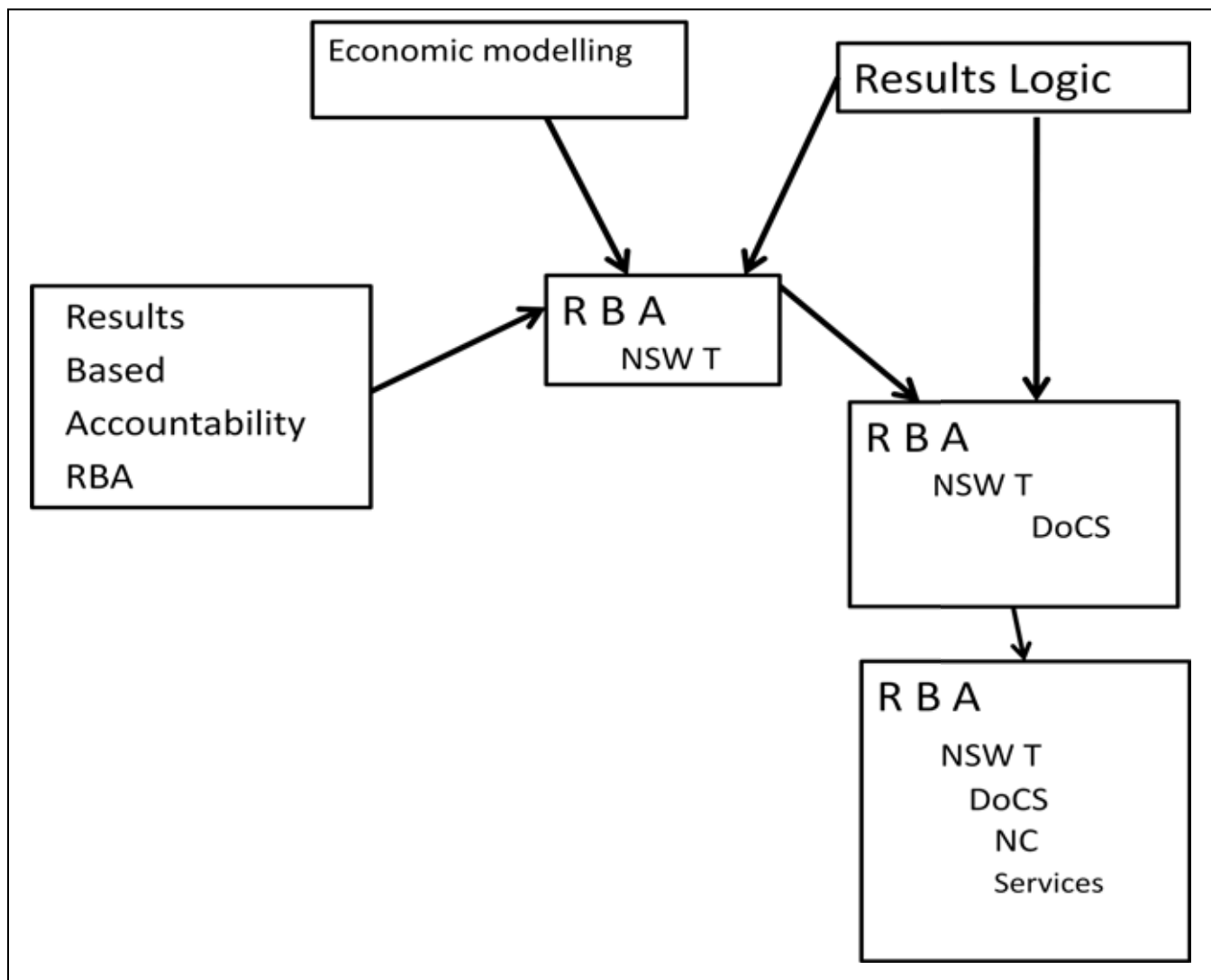
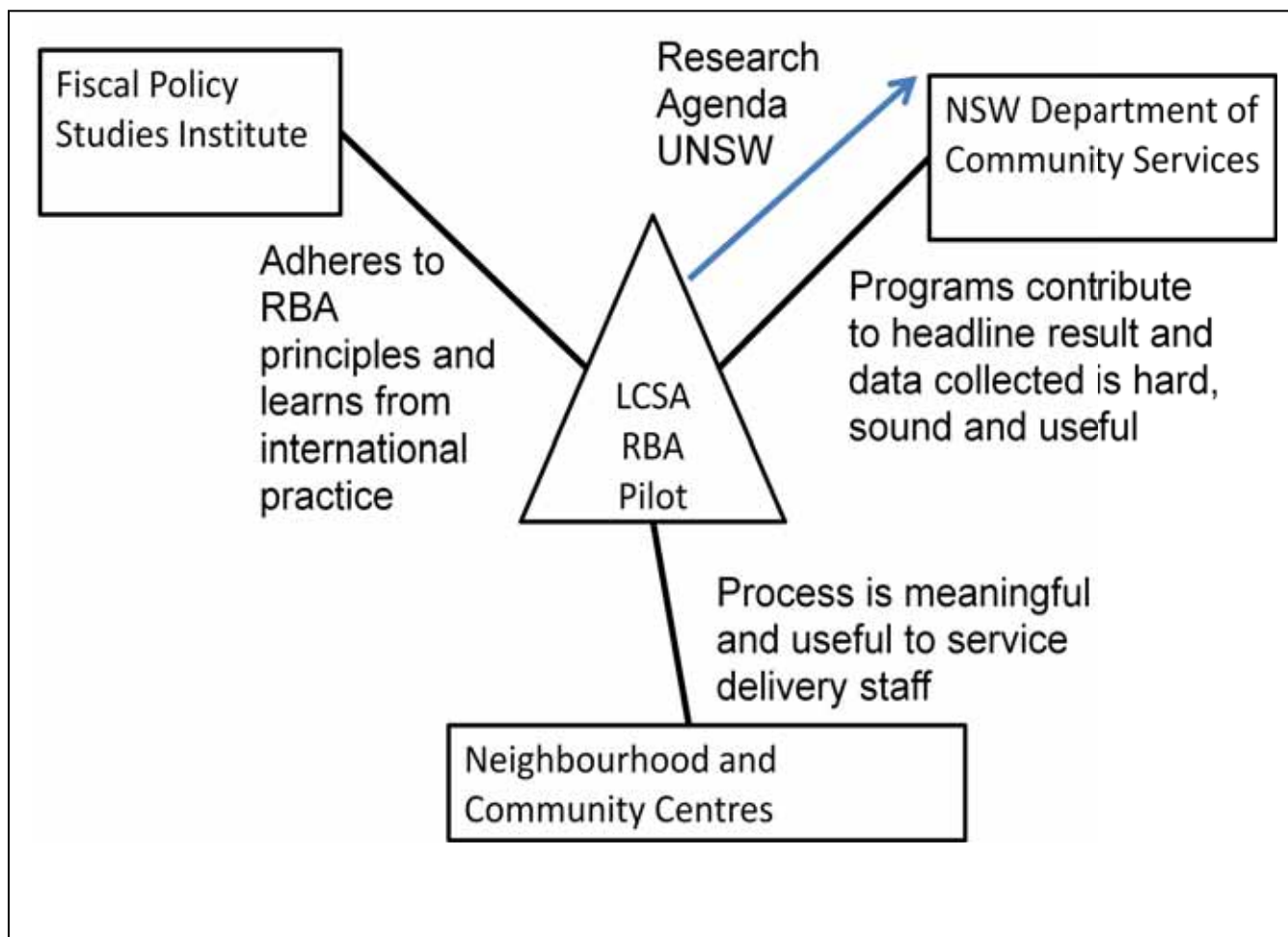


Figure 2 - The current state of the LCSA Results Based Accountability pilot project in its relationships with its stakeholders.



The amount of work which has been involved in ensuring the integrity and usefulness of the project indicates this is something which has to be done on a sector wide basis rather than service by service. This is particularly important if results are to be aggregated.

The entangling of the effects of different motivations for measuring the sector's contribution together with different systems introduces unhelpful complexity and considerable confusion.

(f) Care must be taken to ensure a measurement framework does not attempt to create a hybrid from incompatible systems.

A full discussion of this is found in the accompanying attachment LOCAL Autumn 2008. LCSA's experience is that attempts to create a hybrid of Results Based Accountability and Results Logic frameworks creates systems which sacrifice meaning and real world experience for bureaucratic tidiness and the illusion of control. Such systems do not enhance, but considerably reduce the capacity to attain positive movement in population indicators and they fail to recognise and

therefore stifle the full range of possible contributions. The following quotes from Mark Friedman summarise the problems:

“ There are two problems with this however. The first is the matter of causality. Logic models reduce the process to a series of causes and effects. But in reality it's much more complicated than that. Services, like life itself, don't operate in neat causal sequences. Logic models pretend that they can reduce complex services and social interactions into logical sequences and it can't be done. It's a misrepresentation of reality.”³

“Problems occur when governments and government departments take some of the ideas of results Accountability but not all of the ideas, mix them with other models and create hybrids. Often these hybrids are worse than either parent model. If you mix up population and performance accountability and then mix that up with a logic process you get a mess.”⁴

(g) The resources used to measure the impact of any one program or service must be proportionate to the resources invested in that program or service.

While this is simple, common sense, it is the experience of many small multi-activity Social Service and Development organisations who are members of LCSA that the resources for programs that receive small amounts of funding are unreasonably eroded by measurement and accounting requirements which are suited to acquitting far more substantial resources.

(h) Any framework must be sufficiently cognisant of real contexts to recognise the contributions which have traditionally been discounted.

LCSA therefore welcomes the attempt in the draft overarching framework on p22 of the Commission's issues paper to include connection outcomes, advocacy outcomes, existence outcomes and consumption outcomes alongside more traditionally recognised service outcomes.

LCSA also welcomes the inclusion of impacts across domains of community wellbeing within this framework. LCSA's experience is that central agencies and program agencies of government currently generally regard impacts across the domains of well being as “soft” and therefore do not bother to attempt to quantify them. When LCSA sought to introduce reference to wellbeing indicators within the Results Based Accountability Pilot Project, this initiative was swiftly crushed by DoCS officers on the grounds that wellbeing indicators are “too soft” and Treasury would not want to fund them. The Community Indicators Victoria is a welcome departure from this approach.

LCSA agrees with the Commission's observation concerning the difficulty of impact attribution and again commends Results Based Accountability to the commission as a framework which probably overcomes this difficulty better than others.

³ LOCAL Autumn 2008, p24

⁴ LOCAL Autumn 2008, p26

3. Enhancing the efficiency and effectiveness of the not for profit sector

There are a number of processes, both historic and current, which have a negative impact on neighbourhood centres.

3.1 Continuous "review" for no positive outcomes.

Neighbourhood centres in New South Wales are heavily reliant on government funding as the community development and preventative aspect of their work is sufficient to deny the majority of them Public Benevolent Institution and Deductible Gift Recipient status. The funding stream which funds their core activities, the Community Services Grant Program has been subject to six different reviews over the past twenty years. Each of these has been designed to better align the sector with the core objectives of the funding body. As a result of each of them the sector has changed and adjusted its operations to suit the need of the funding body. Many of the reviews have held out the promise of enhanced funding but none of them delivered. In the meantime operating costs have escalated beyond CPI with massive increases in the costs of insurance in recent years, increasing professional standards within the sector and a considerable increase in demand for services.

The most recent review extended from 2005 to 2008. It identified agreed headline results though which the sector contributed to the core business of the funding body and cumulated in the Department of Community Services presenting a business case to Treasury in 2008. This business case was not reflected in the 2008/9 budget because the Wood Special Inquiry into Child Protection was in progress. The sector was told to wait patiently until the Special Inquiry reported. The report of the Special Inquiry included reference to the business case but also recommended a further review of all funding. At the point of writing LCSA has been told there will be no enhancement of CSGP in the 2009/10 budget. There is a danger that all the work that was done between 2005 and 2008 will simply be discounted and tossed aside as the funding body follows a new review of funding. In the meantime, the wording of service specifications within the sector has been quietly changed from "recurrent" to "renewable" without any consultation with or formal advice to sector peak bodies.

Thus one of the ironies experienced by locally based multi-activity social service and development organisations in New South Wales is the impediment to efficiency and effectiveness created by the funding body's attempts to enhance efficiency and effectiveness from the perspective of the limitations of its remit. The cumulative effect of continuous review for little or no outcome over 20 years includes:

- considerable waste of time and energy,
- reduction in morale,
- deterioration in some relationships between the sector and the funding body
- a shift in focus from the real needs of the community to the perceived needs of the funding body
- services overextending their resources in an attempt to demonstrate their worth

It is a considerable demonstration of the strength and resilience of locally based, multi activity social service and development organisations that, throughout this experience, the majority of neighbourhood centres have been able to maintain their focus on their communities and their services.

3.2 Current funding processes

Current expression of interest and tendering processes often have the effect of pitting relatively small, but effective, locally based services against larger services which have a state wide or national reach, but no current presence in that local area. This has created considerable frustration for those locally based services who know they have the capacity to deliver the services well and often have a better understanding of and acceptance in the local area, but who do not have equal capacity to compete in the tender writing process. When the process is inequitable for locally based services they are denied an important opportunity to build their capacity which in turn builds the capacity of the local community. If the broad overarching framework suggested by the Commission is adopted then the effect of the tender process on total outputs and impacts should be considered by government.

LCSA recognises that expressions of concern about the impact of tender processes can be interpreted by government departments as the sector being defensive or unwilling to allow itself to be open to competition. LCSA recognises the need for funding processes to be transparent and accountable and the right of funding bodies to seek the best value for the taxpayers' money which they are spending. Nevertheless decisions on tender processes need to take account of the fact that the social services market is unlike normal commercial markets in that government is a monopoly purchaser of services and that for many locally based multi-activity social service and development organisations government funding is the sole source of income. Thus tender decisions made with a relatively narrow concept of value defined by the funding body's contract with its central agency may have the unintended consequences of destroying local infrastructure with its valuable and complex network of relationships and trust. This is a particular concern for LCSA's members.

A variation on the tender process whereby governments contract with a lead agency which then contracts with smaller agencies has received a mixed reception within the sector. From a service development perspective this process still pits local services against each other in choosing which lead agency to align with during the tender process. A better model would be for all services operating within an area, whether locally, regionally or nationally based to co-operate together to determine the best specific model for the particular challenges of the local context. In the Brighter Futures program in NSW some local agencies who were "signed up" by lead agencies as supporting their tender have been ignored once the tender was awarded while others have received work on an irregular, casual basis which has made it difficult to employ staff. More significantly, once the original contract period has passed, several lead agencies have simply dropped their partnership with local agencies.

The lead agency model demonstrates a predilection for government departments to want to deal with a few large service providers. This is understandable from the perspective of the internal efficiency of government departments. Nevertheless governments need to guard against outsourcing their dealing with smaller services to large services without the safeguards such as appeal and dispute resolution processes that currently exist when smaller services contract directly with government. Governments need to weigh the benefits of their own internal efficiencies against the risk of diminishing the full range of not for profit outcomes and impacts identified in the Commission's overarching draft framework.

LCSA's members are deeply concerned that current government tendering and 'lead provider' relationships seriously undermine the diversity of the not for profit sector and discount the particular value provided by locally based, multi-activity social service and development organisations. This in turn reduces the whole sector's capacity for innovation and flexibility. More importantly if the community connections and ownership which are vested in neighbourhood

centres are lost, the outcomes will be growth in information failure, increased transaction costs within the community services system and loss of client focus. This will be further elaborated in the research of the Social Policy Research Centre.

3.3 The efficiency impact of duplicated accountability and compliance processes

Case Study 3 - South East Neighbourhood Centre

"Organisations already respond to accountability through funding agreements, acquittals, financial audit reports, annual reports, annual general meetings, regular board meetings, program reports, statistics and other diverse forms of accountability measurements. On top of this, funding bodies and government departments are inventing their own methods and systems of accountability.

"For example over the last two years the South East Neighbourhood Centre [SENC] has undergone the following inquisitions:

- Department of Ageing Disability and Home Care – HACC Integrated Monitoring Framework for Social Support, Other Food Services, Day Care;
- Ministry of Transport – HACC Integrated Monitoring Framework for Community Transport;
- Department of Health and Ageing – Quality Reporting for Respite Care; and
- National Child Care Accreditation Council – Quality Assurance for Out Of School Hours Care.

"Over all South East Neighbourhood Centre has endured six accountability processes, four government departments interrogations, seven examiners, eight days of intensive onsite visits, one surprise compliance visit, six extensive written submissions, client / staff / board interviews, surveys, statistics, comprehensive evidence provision, cross examination and hundreds of hours of preparation work to meet the requirements. It should be noted that SENC passed all these compliance processes."

David Atkins, Manager South East Neighbourhood Centre, Feb 2009

The largest and most effective locally based, multi-activity social service and development organisations experience onerous duplicated accountability and compliance processes as one of their biggest barriers to the effective use of their resources. In the long term, creating uniform systems and paperwork can only create efficiencies within government departments as well as within the not for profit organisations that use them.

A failure to have clearly articulated population results and indicators, and a lack of understanding of the complex contributory relationships of individual services to population indicators, has lead several government departments to an excessively risk averse and obsessively detailed form of reporting. On the one hand departmental rhetoric is all about service outcomes and the flexibility of services to manage their own business while on the other hand they demand a level of detail in reporting which is often disproportionate to their level of investment and unnecessary in its detail. Many LCSA member organisations report a relationship with government departments that is akin to that of a teenager with an uncertain and insecure parent. They are encouraged to take responsibility and innovate, while being required to report in an over-detailed manner and at times

almost micro-managed if they are perceived as 'straying', or they are treated with benign neglect being virtually ignored for many years until something goes wrong when they become subject to strenuous discipline.

3.4 Attracting paid and volunteer workers with the appropriate level of skills

Historically neighbourhood centres have generally had little difficulty attracting skilled paid and volunteer workers. Skilled workers are attracted to the sector because of their commitment to its services and clients and to the value of services which are based within the local community. These values have often overridden other values such as rate of remuneration or working conditions with the result that the sector has been able to attract many highly skilled workers while offering remuneration which is considerably lower than they could earn elsewhere. However, this hidden value within the sector has also had negative consequences. The combination of high levels of commitment, growing communities with increasing levels of need and restricted resources has meant many neighbourhood centre staff habitually work over and above their contracted hours without being rewarded through overtime or time in lieu. In 2005, the surveys LCSA had undertaken led to the claim that neighbourhood centre staff on average worked 17% more time than they were remunerated. This creates a pattern where both their communities and funding bodies expect neighbourhood centres to overachieve as a normative pattern. Moreover, in an age where level of remuneration is universally regarded as a measure of skill and contribution, the capacity and competence of highly skilled but underpaid workers within the sector is often under-valued by those outside the sector.

The high levels of commitment of workers and the intrinsic value of the work they are doing has sustained workers within the sector. However, the successive failure of state governments to recognise the value of neighbourhood centres by providing adequate resources for their core operations has left many workers questioning the wisdom of their additional, unremunerated efforts. Moreover, across the not for profit sector, organisations are discovering the difficulty of competing with the public service sector which has higher levels of remuneration. This is exacerbated for neighbourhood centres which do not have Public Benevolent Institution (PBI) or Deductible Gift Recipient (DGR) status and cannot therefore make full use of the tax benefits of salary sacrificing.

It is well known that the generation of volunteers that sprang from the prevalence of single income households is getting older, while this means the profile of volunteers is likely to change it does not necessarily mean the end of volunteer workers within neighbourhood centres. The neighbourhood centre social inclusion principles outlined in 1.3 mean that people still come because of a need but stay because they are empowered to contribute. LCSA is also observing that baby boomers are starting to enter retirement bringing a lot of skills and energy and a desire to contribute to their local community.

3.5 Pre-requisites for success

LCSA agrees with the three points the Commission has noted from the 2001 McKinsey and Company study. As neighbourhood centres in NSW have developed largely over the last 30 years, LCSA is also in a position to observe that a successful growth trajectory for a neighbourhood centre is similar to that of a small business. Early growth of a start-up neighbourhood centre is almost

always attributable to the energy, vision, commitment and personal sacrifice of an entrepreneurial leader. As the centre grows it is important that suitable governance systems and management structures are put in place. The existence of early entrepreneurial leadership and the management of the important transition from sole reliance on this leadership to a sustainable and more substantial organisation are vital. Neighbourhood centres that have not experienced the growth engendered by entrepreneurial leadership or who have failed to transition successfully from reliance on that leadership struggle with modern governance requirements. Those who have grown but failed to make the transition can be assisted to achieve this step. However those who have not experienced a period of entrepreneurial leadership may find themselves struggling to implement governance structures and formal strategic plans when what they really need is a start-up entrepreneur even if they have been established a long time.

3.6 Factors restricting the financing options available to neighbourhood centres

Social inclusion, prevention of problems rather than their cure and community development have traditionally been under-valued by government in two ways which severely restrict the funding options available to neighbourhood centres in NSW.

- (a) As social inclusion, prevention and community development do not fit neatly into government funding silos the funding of locally based, multi-activity social service and development organisations has been neglected and, unlike Victoria, the value of the role of neighbourhood co-ordination has not been recognised adequately with funding support.
- (b) Social inclusion, prevention and community development are not recognised a valid activities for gaining PBI or DGR status and successive Australian governments appear reluctant to address definitions based on archaic UK charity statutes which are no longer operating in that country. This issue is addressed well in the submission to the commission by our colleagues in ANHLC, so we do not need to elaborate it further.

3.7 Regulatory Environment

From the perspective of LCSA's members, the regulatory environment should be as simple as possible consistent with transparency and accountability. LCSA would not support any move to a uniform national regulatory environment which imposed a greater burden of red tape than the NSW Incorporated Association Act.

3.8 Funding contracts

All funding contracts should make provision for a research and development component on a percentage basis. This would enable small organisations to combine to undertake research projects.

Funding contracts should be 3-5 years to give contracted organisations stability and certainty.

Case Study 4 - Efficient and Effective?

"We do not know what neighbourhood centres do" - senior DoCS officer, March 2006

"Don't bother with your annual report, we don't read them" - same DoCS officer, June 2006

"One year two of our centres swapped their reports on achievement to see if anyone would notice and nobody did" – neighbourhood centre co-ordinator, June 2006

"I have had 14 changes in DoCS Community Program Officer in the less than six years I have been here – neighbourhood centre manager , June 2009

"We need to know we are getting value for our money" – another senior DoCS officer ,
June 2009

4. Service Delivery

4.1 The move to 'market-based' models

The shift of the Community Services Grants Program from grant-based funding models for service delivery towards 'market-based' models has generally been experienced by neighbourhood centres as deleterious to their capacity to respond innovatively to emerging community needs. In the final analysis, LCSA cannot avoid the impression that this 'reform' is more about providing a justification for the program to central funding agencies than it is about the delivery of quality services to clients. It also devalues the unique contribution of the connection of services in the locally based, multi-activity social services and development model.

LCSA agrees with the critique of the tendering process advanced by McGregor-Lowndes quoted on p 37 of the Commission's Issues Paper.

4.2 Governance and accountability arrangements

These issues have been addressed in section 2 of this submission.

5. Conclusion – Future Directions

The current environment contains many challenges for neighbourhood centres and LCSA expects those challenges to increase in the immediate future. Organisations, like all organisms have to undergo evolutionary adaptations in order to adapt to an evolving environment. The evolutionary adaptations for locally based, multi-activity social service and development organisations are contained in LCSA's neighbourhood centre renewal strategy:

- Renewed membership
- Renewed community engagement
- Using the full range of community development strategies
- Providing quality services grounded in evidence based practice
- Establishing data demonstrating the contribution they make
- Promoting networks of partnerships
- Achieving good governance and policy development
- Gaining adequate funding
 - through current funding sources
 - through capacity to compete in tender processes
 - through gaining PBI & DGR status across the sector

What these organisations require most from governments, both federal and state at this time is a clear statement of their intentions toward smaller, locally based organisations. If governments intend to support the diversity of the sector to include these organisations they should state this and back their words with actions. If they do not intend to support the diversity of the sector they should also clearly state this. The worst possible outcome for the sector would be dissolution by stealth if governments claim to support a diverse sector but fail to back this with resources. Uncertainty is one of the greatest negative forces encountered by the sector presently. Transparency and openness from government will provide the basis on which this part of the not for profit sector can adapt and thrive.

Brian L Smith
LCSA June 2009

Contact details:

Brian L Smith
Executive Officer
Local Community Services Association
Level 1, Old Bidura House
357 Glebe Point Road (PO Box 29)
Glebe, NSW, 2037
Ph: 02 9660 2044 (extn 5)
Fax: 02 9660 4844
Toll free (NSW regional areas only) 1800 646 545
Mobile: 0430 543 084
Email: brian@lcsa.org.au
Web: www.lcsa.org.au

