



15 June, 2009

ATTN: Tracey Horsfall
Administrative Officer
Productivity Commission

Re: Submission to the Productivity Commission Inquiry Contribution of the Not-For-Profit Sector

The Victorian Alcohol And Drug Association (VAADA) welcomes the opportunity to provide input into the Productivity Commission Inquiry, *Contribution Of The Not-For-Profit Sector*.

Government funding arrangements for not-for-profit organisations to be designed on a longer-term basis to provide security and opportunities for longer-term financial and operational planning

VAADA supports this view, especially for the purpose of maintaining the real value of funding within the sector even in a low-inflationary environment over the coming two to three years. This will enable well-considered and detailed planning of activities (e.g. professional development and retention, information and best practice dissemination) over a two- to three-year period.

As the policy and program response needs which face the sector become greater with time, consideration should be given towards a component in a funding formula that allows for 'growth funding' or to accommodate an expansion, however small, in sector activities. These activities may include short term consultancy hire, the staging of forums, seminars, and workshops.

It is not uncommon within the NFP sector that funding shortfalls occur from the time between a project's completion in one funding round to its possible resumption in the next. This time lag can last for substantial periods, adding to the existing financial strain under which the organization commonly operates, with attendant responsibilities to carry over salary and operating costs.

Notwithstanding such bad practice, this discontinuity creates uncertainty and ill-will among the sector and project partners, affecting project delivery and outcomes, as well as impacting unfairly on evaluation.

Therefore, VAADA firmly believes there is a need to develop interim or 'bridging finance' mechanisms to ensure continuity of funding from the time of a project's staged completion to its full completion or until such time as a funding decision is made.

A new accounting framework which would allow not-for-profit organisations to conduct single annual reporting to all governments and their different departments for management and acquittal of public funds

This is a point well made particularly given that studies are certain to exist showing the length of time spent within the NFP sector on meeting reporting requirements. Given the existing and significant resource constraints under which the sector already operates, progress towards a new accounting framework which would allow not-for-profit organisations to conduct single annual reporting will be valuable in releasing precious time for the completion of core activities and office-based tasks.

In addition, intra-sector comparison of performance and expenditure patterns in the NFP sector are also important in order to ascertain and measure the outputs and productivity of the sector. This will assist to identify where more efficient processes can be established in policy and program development, its delivery and eventual evaluation.

Monash University and the Victorian Council of Social Service have recently advanced the issue of information technology and communications challenges associated with differing data management systems and improvements to knowledge management¹. In exploring several ICT challenges for the NFP sector, its Position Paper has highlighted that “[A]n interoperability framework or architecture ... is desperately needed to lighten the data management burden on community sector organisations by enabling the semi-automated and seamless transformation of content from one of representation to another.”

Given the wide variety of services that are provided by the sector, a two-part template reporting framework is required. The first comprises the generic financial reporting requirements and profile of the organisation; namely, Part A made up of generic, global information such as funding revenues, staffing, superannuation obligations, depreciation and amortization, and a general operating expenses profile. Part B would be made up of specific data related to key performance indicators on clients served, cases managed, unit costs, and some capacity of cost effectiveness outcomes.

Importantly, VAADA acknowledges transitional difficulties in moving toward such potentially onerous reporting systems given the multitude of income sources.

The establishment of a separate agency that monitors the acquittal and management of reporting on behalf of all government departments

This recommendation VAADA supports in-principle for the purpose of an efficient, ‘one-stop-shop’ reporting entity. Practically, it might prove difficult to establish given agencies can receive funding from multiple sources and are therefore accountable to each source. Nonetheless, it might be best to have all such complex arrangements under ‘one roof’ and its tasks will be carried out more effectively over time.

A community benefit assessment section to be part of the new accounting framework that enables not-for-profit organisations to report in a consistent manner on the contribution they make to the Australian community

As in the recommendation for a new accounting framework, this has great potential for cross- or intra sectoral comparison and evaluation of activities, output, productivity, and client outcomes, as well as provide valuable insights into client pathways through the care system. This will thereby greatly aid in the assessment of progress towards achieving goals associated with Triple Bottom Line framework and *A Fairer Victoria* as well as support and strengthen an evidence-based approach to policy and program development, particularly in terms of cost-effectiveness outcomes.

It will also importantly add weight to the formulation of budget submissions as part of the annual Expenditure Review of Cabinet process.

¹ *The Interoperability Challenge : Doing IT Better*, Interoperability Working Group, Position Paper V0.5 (Public Draft), Monash University and the Victorian Council of Social Service, October, 2008.

The establishment of a representative body that serves as an independent voice of the not-for-profit sector to government, business, and media

The recent establishment of the Office for the Community Sector in the Victorian Department of Planning and Community Development is an important step in this direction to:

1. ensure that, in its direct interactions with community and non-profit organisations, government acts in ways designed to optimise value to the community; and
2. create an environment for community organisations to invest in their capabilities and long term sustainability.

Separately, however, this proposal for the establishment of a representative body serving as an independent voice has considerable merit whereby a representative body exists in the form of a roundtable-type conference facility and acts as a stand alone entity. It could be made up of such organisations as ADCA, ANCD, State AOD peaks, state-based Council of Social Services, ADF, AERF, a range of other stakeholders.

This will thereby provide a cohesive and convincing voice for the sector, as well as a highly valuable input in considerably advancing the cause of advocacy and representation of the community sector. This would be achieved by means of media releases, discussions and information sharing between the roundtable and key stakeholders from government, industry, epidemiologists and clinicians.

A model in this regard currently exists in regards to advocacy on utilities in the form of the National Consumer Advocacy Roundtable on Energy. The Roundtable comprises peak consumer bodies, social welfare organisations and environmental agencies working on national energy market reform. Specifically, it is made up of the Victorian Consumer Utilities Advocacy Centre, State and Territory Council of Social Service bodies, ACOSS, community legal aid and advice services, and the New South Wales Public Interest Advocacy Centre.

Quarterly meetings of the Roundtable would be held to discuss issues and approaches input to inquiries and submissions, thereby providing a firm and convincing sectoral voice on matters.

Investment in the provision of career incentives and skills development opportunities for employees of not-for-profit organisations and equal remuneration of not-for-profit sector employees and public sector employees doing similar work

Like many industries throughout the Australian economy, the attraction and retention of staff to the AOD services sector will prove a continual impediment in carrying out service delivery, particularly when an economic upturn and consequent increase in demand for labour occurs.

The draft ADCA submission explores the crucial issues of career incentives, skills development and equal remuneration well and in good detail. These are pivotal matters with regard to the sector performing its roles and having effect on matters of harm reduction and minimisation, service delivery and social exclusion.

Access to Human Resources

It will always be a point of contention as to whether Consumer Price Index (CPI) adjustments to salaries and wages fully capture price movements and the full effects of reductions in real purchasing power of employees. As the CPI is a comprehensive yet broad measure of movements in consumer prices, it will not necessarily capture the full, real impacts of price movements as they relate to a more specific basket or set of household spending patterns of those employed in the AOD sector.

VAADA believes it would be valuable to have a more specific index or measuring tool designed for those employed in the sector and based on their household expenditure profile. This would measure price movements and thus impacts upon the real purchasing power of their income, and enable more effective maintenance of real wages.

Long Service Leave Provisions

VAADA acknowledges the difficulties of implementing multi-portable long service leave (MPLSL) provisions within and across the not for profit sector, from the sector to government, and among the tiers of government. Such portability should not just include portability in government employment but within the community sector itself.

Nonetheless, the multiple portability of long service leave provisions from government employment (federal, State and local) to the sector and within it will prove to be a major and much-welcomed progression toward greater stability of employment and staff retention.

A move away from competitive tendering processes

Since the mid-1990s, highly rigorous competitive tendering processes have been core to public finance management, administration and procurement. Largely, assessment of tenders is therefore undertaken in strict accordance with policy objectives, project aims and objectives and assessment guidelines. It will remain as the principal methodology of tender assessment in the competitive tendering process.

However, given the operating nature and resourcing of organisations in the not for profit sector, smaller economies of scale, limited skill diversity and expertise compared with larger organisations, it is highly onerous to have lengthy periods of staff time used in fulfilling the lengthy and time-consuming tender documentation processes required of government departments and funding agencies.

As an alternative, some form of qualitative assessment could be undertaken where funding is provided based on applicants' direct experience of appropriate service mix, service delivery, and approaches which are feasible and effective, and can be easily implemented and evaluated.

This recommendation therefore has merit on the grounds of providing a degree of subjectivity and direct service experience.

Thank you for the opportunity to put forward a submission to the Productivity Commission Inquiry Contribution of the Not-For-Profit Sector and considering our response. We look forward to any further involvement in the Inquiry process. If you have any queries regarding this response, please contact VAADA's Executive Officer, Mr Sam Biondo, on (03) 9416 0899 or via email at: sbiondo@vaada.org.au

Yours sincerely,

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