



ADFACT submission to the Productivity Commission Issues Paper – April 2009:
Contribution of the Not for Profit Sector

1 July 2009

INTRODUCTION

The Alcohol and Drug Foundation, Australian Capital Territory (ADFACT) is incorporated under the ACT *Associations Incorporation Act 1991*. It is a public benevolent institution, a charitable institution, an approved gift fund and is exempt from income tax.

ADFACT was established in Canberra in 1976 as a response to the community's growing concern at the escalating use of drugs, especially among young people.

ADFACT aims:

To be the ACT's leading provider of case-managed rehabilitation, treatment, transition, community and employment services for substance-dependent clients, most with complex needs.

ADFACT is currently responsible for the supervision, administration and development of the following programs:

Karralika: An established modified therapeutic community that provides a safe and supportive learning environment for individuals and families to consider and address opportunities for lifestyle change. This occurs through a multi stage program from assessment to community based transition programs where a range of needs including social behaviours, relationships, parenting, interpersonal communication, education and vocational skills are addressed.

Child & Family Support Services: Specialist programs that focus on the use of family interventions and strategies to enhance social functioning and improve the lives of vulnerable children (e.g. fortnightly parenting seminars); support and strategies for the ADFACT staff working with families with children; and similarly for those staff that serve the children in their multiple settings e.g. childcare and school etc.

Community Programs:

Nexus: A comprehensive residential program offering case management, group programs, advocacy, support, education and referral for AOD clients. It is the linking phase between previous treatment and reintegration back into the family or wider community which aims for clients to achieve stability in their lives and to encourage the development of independent living, employment, social and interpersonal skills. This may include a choice for abstinence or pharmacotherapy treatment. The program is semi structured and provides accommodation for up to 9 male clients for periods of three to 6 months.

Sober Driver Program: An educational program for those charged with, or facing, charges for drink drive offences.

Job Services Australia – provides specialist AOD employment services (tackling barriers including alcohol, drug and gambling problems, homelessness, mental health issues and social isolation) for job seekers with personalised help, targeted services and access to training opportunities and work experience in areas of skill need.

Alexander Maconochie Centre Therapeutic Community: A therapeutic community setting for inmates with substance use issues in the first Australian prison to comply with human rights legislation.

RESPONSE TO THE ISSUES

Section 1: Scope of the Study

ADFACT agrees with the approach of the study. We believe that small to medium size NGOs have been most impacted by the changes in regulatory environments, trends and developments (Accreditation/Quality Improvement advanced accounting requirements and compliance costs) and competition in NGO grant funding over the last two decades and we believe the impact on these organisations should be given particular focus. These organisations would typically have annual budgets up to \$1,000,000.

Section 2: Measuring the Contribution of the Not for Profit Sector

ADFACT supports the use of previous studies both nationally and internationally. ADFACT also believes that two studies undertaken on the funding and costs of NGO drug and alcohol service provision may be useful for the Commission to consider as well as some independent work on the profile of the NGO drug and alcohol workforce in NSW undertaken by NADA.

Section 3: Enhancing the Efficiency and Effectiveness of the Not for Profit Sector

Industrial Impediments/Issues

ADFACT experiences some major industrial impediments with respect to attracting staff from the public sector to the NGO sector. These include, but are not limited to significant remuneration variations, the non transferability of superannuation and leave entitlements and less or very limited opportunities for career advancement in many small to medium NGOs.

Workforce Issues

ADFACT was involved in a NADA sector workforce survey (NADA Workforce profile 2008). This profile shows the issues of an aging workforce as well as the issue of impediments to recruitment and retention around remuneration capacity. Career progression and career structure in the sector is also an issue due to the industrial awards that govern the sector (Social and Community Services Awards).

There is an implicit requirement for NGOs to keep their wage costs artificially low, especially in a competitive tendering environment, and without any consistent recognition by funders that fair remuneration is an important aspect of quality service delivery. Problems with recruitment and retention are particularly keenly felt in the ACT, where NGOs must not only compete with each other, but also with both the ACT and Commonwealth public services.

Contractual Arrangements

ADFACT receives funding from Commonwealth, NSW and ACT Government agencies. The varying accountability requirements between funders further adds to the burden for us in administering contracts and applying for tenders.

A significant proportion of ADFACT's funding is in the form of short term (generally 12 month) project funding. The often onerous reporting/compliance burdens around these are generally disproportionate to the short timeframe, and the relatively small financial outlays and low risks to the funder. Shorter term contracts generate uncertainty, inhibit innovation and are detrimental for forward planning by NGOs, and also create difficulties with respect to staff recruitment and retention.

ADFACT is aware of many other NGOs in the ACT in similar positions. Each separate activity carries with it a set of performance indicators, quality specification and data collections. This is particularly burdensome in the context of services that provide complex human services for people with complex needs (drug and alcohol clients) that require services under multiple programs.

There are four accountability mechanisms:

- Financial reporting
- Service performance reporting
- Compliance with service standards and guidelines reporting
- Client data reporting

Client data is still predominantly based on counting throughputs and (at best) outputs, rather than client outcomes. ADFACT is participating in a NADA project - which is likely to involve the AOD and Mental Health sectors in the ACT - that aims to develop broadly-agreed routine client outcome measures. This sort of innovative cross-sectoral is not commonly supported by government agencies, despite the obvious advantages to funders to enable a better understanding of social return on investments.

Some funders have restrictive policies around NGOs generating surpluses or retained earnings. NGOs need to be able to develop surpluses by good money management and independent fund raising activities to underwrite future expenses not covered by government contracts. Also NGOs banking and investment strategies are seen as restrictive as is the policy of many funders.

There are a number of factors that impede the spread of knowledge, innovation and practice expertise across the NFP sector. The first factor is the lack of resources provided through funding sources by governments for detailed evaluation, research and information dissemination. This is also exacerbated by the competitive tendering model of government service provision funding. Our experience shows that many NGOs treat their service modelling, delivery and developmental processes as 'commercial in confidence' as other NGOs providing similar services are in competition.

With respect to governance and reporting arrangements, the movement to competitive tendering has been accompanied by increased reporting requirements and compliance costs, as indicated above.

Quality Improvement

The next factor relates to the lack of resources provided by government funders for the development and maintenance of Quality Improvement programs in NGOs. Government funding conditions often requires NGOs to undergo QI as a risk management strategy but fail to resource comprehensive ongoing QI. This results in many organisations devoting only limited resources to QI. This is a lost opportunity for the development of best practice and benchmarking.

ADFACT believes that better resourcing for QI activities would lead to better benchmarking data being available across the NGO sector. This would assist the sector to move to outcomes based funding models which would ultimately ensure more effective use of public funds. We also suggest that there be better coordination across Governments and Quality Improvement providers to disseminate best practice and benchmarking information across the sector. We think that a more focused QI strategy with respect to community services and health NGOs should be incorporated into the processes of the national reform agenda.

National Reform Mechanism

One mechanism to assist QI enhancement, and improve all aspects of accountability while reducing compliance burden, may be the establishment of Independent Commission for the Not for Profit Sector, as recommended by ACOSS. ACOSS notes that such a body could help develop a sensible national regulatory framework including a common chart of accounts, and improve consistency and efficiency in reporting requirements. It could "also have a role as a conduit between governments and the broader Not for Profit Sector but not at the expense of specific departmental relationships." (ACOSS Submission, p.30)

The latter point is important, given the need for NGOs to develop a stronger partnership relationship with government funders, which includes having a stronger input into policy development. To date, few government agencies have realised the potential benefits of

performance information from NGO providers – particularly regarding client outputs and outcomes – in providing a picture of needs and trends to inform policy.

ACOSS notes that the proposed Commission "should cover the entire NFP sector but with different levels of reporting depending on size of turnover, staff etc" (p.30). We would also add that sensible assessments of financial stability/risk should also be taken into account when regulations are being developed regarding length of contracts and the level of details required for reporting requirements.

Benefits of Diversity

ADFACT is concerned with the trend of government funders to deal with fewer and bigger NGOs in order to reduce their transaction costs and moves to governments having 'lead provider' relationships with the sector. This is also being driven by the competitive tender system. We are concerned that small, but effective and close-to-community NGOs are at risk of losing out on opportunities for growth. This will also lead to less diversity a reduction of the social capital in the communities that small NGOs serve. If the future is to move further towards a lead provider model there should be provision for the smaller NGOs to access funder through a brokerage system.

ADFACT believes that funding models that encourage diversity in service delivery and encourage flexible and innovative practice should be developed in consultation with peaks and key agencies in the sector, prior to new funded programs being rolled out by government.

Advocacy

The advocacy role of organisations funded by the Commonwealth was curtailed under the conditions imposed on NGO's in funding contracts by the previous federal Coalition Government. This was well documented by ACOSS. This issue was less obvious in the States. ADFACT believes that the issue of curtailing advocacy should be part of this study.

Further ADFACT believes that government should look at the value of advocacy in terms of improving service provision and improving the health and social status of marginalised groups. To this end we believe resources to support constructive sector and service advocacy should be included in the funding provided to NGOs where the NGO can demonstrate effective advocacy as a strategy.

Section 4: Service Delivery

ADFACT along with other NGOs is interested in there being a clearer definition of what constitutes a Government funded NGO service, for example specific and fully funded (true costs of service delivery) service agreements with an NGO as opposed to 'grant contributions' to the overall mission of an NGO. This is particularly important for human service providing NGOs. In reality, many human service NGOs do not receive grants that cover the full cost of service delivery. These are supplemented by fundraising and/or client contributions. This supplementation should be considered in the accountability and reporting requirements of government grants programs.

Some larger NGOs in Canberra with better bargaining power are stipulating a 'management service fee' to funders which may be up to 18% (as discussed at the 15 May 2009 ACTCOSS forum on community sector cost recovery). This covers operational costs such as salaries of CEOs, admin support, costs of tendering and acquitting program funds, IT infrastructure, audit fees, quality control etc., and is seen as more accurately reflecting real costs of delivering services. The attitude of funders varies regarding full-cost recovery, but it is important that all government funders recognize the principle, and work towards a consistent approach. These issues are canvassed in detail in the ACTCOSS report: *Finding Solution: Towards the long term viability of the ACT Community Sector*, September 2008.

Integrated Service Delivery

ADFACT also argues that there are significant economies of scale and scope for service delivery in NGOs that have multiple funding contracts for similar and related health and human services in their overall service mix. Contract funding can usefully cross subsidise other aspects of related service provision. This means NGOs can offer more for the client as multiple contracts combined give additional capacity to expand and enhance their total service provision and provide an integrated service to clients.

ADFACT believes that it is important to highlight the costs of managing multiple contracts. As noted above, there should also be greater consistency across reporting to multiple government contracts particularly where same or similar services are provided for the funding.

Trialling and Piloting New Approaches

ADFACT welcomes the increasing opportunities for NGOs to provide services on behalf of Government, particularly in the health services area. This is because NGOs can provide more client focused services, closer to the communities where people live and are freer to innovate. The problems come with the lack of additional resources within the strict unit pricing policies of government departments with respect to these tenders. Often, NGOs are left managing the risks associated with human services provision because the government tenders have outsourced the risk but not paid for it in the tender price. Finally, Government funders rarely provide ongoing strategic funding to follow up on pilot programs that demonstrated effectiveness and value for money. This is particularly true for pilot programs in the health promotion and prevention area in health and human services.

Section 5: Trends and Development

ADFACT believes that more investment in IT and communications technology needs to be made in the NGO sector to improve service delivery and information exchange and data management. Current IT opportunities and developments are sometimes not taken up in the sector due to resource restraints. This is unfortunate, as new IT developments have the potential to increase effectiveness of NFP service delivery and efficiency, e.g. access to video-conferencing facilities.

Conclusion

ADFACT believes the Commission's report is timely with respect to the next phase of the development of a compact relationship between the Federal Government and the NGO human services sector. We believe that there is genuine and urgent need for reform of NGO grants management programs across the Federal and State/Territory jurisdictions to reduce regulatory burden and improve grants management efficiency and effectiveness.

ADFACT would be more than happy to provide a tour/s of its facilities and briefings on services provided to the members of the Commission.

References/Attachments

- The ADFACT Strategic Plan

ADFACT Contact Details

Phil Lawler JP

Chief Executive Officer

Alcohol and Drug Foundation ACT Inc

PO Box 2230

TUGGERANONG ACT 2901

Ph. 02 6163 0200

www.adfact.org.au