

**Submission to the Productivity Commission
Study into the
Contribution of the Not for Profit Sector**

**Victorian Department of Planning and Community
Development**

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1 Introduction

This submission has been prepared by the Victorian Office for the Community Sector (OCS). The OCS was established by the Victorian Department of Planning and Community Development (DPCD) in 2008 to lead the coordination and implementation of policy priorities affecting the not for profit (NFP) and community sector across the Victorian Government.

The OCS welcomes the opportunity to provide a submission to the Productivity Commission in relation to its *Study into the Contribution of the Not for Profit Sector* (the “Study”), which has been established to:

- assess measures of the contribution of the NFP sector and how these can be used to improve government policy and programs and optimise the sector’s contribution;
- identify unnecessary impediments to the efficient and effective operation of NFP organisations and measures to improve their contributions;
- consider ways in which the delivery and outcomes of government funded services by NFP organisations could be improved;
- examine recent changes in the relationships between government, business and community organisations and whether there is scope to enhance these relationships so as to improve outcomes delivered by the sector; and
- examine the impact of the taxation system on the ability of NFP organisations to raise funds and the extent to which the tax treatment of the sector affects competitive neutrality.

In Victoria, there are an estimated 120,000 NFP and community organisations which vary widely in size, function and ethos. These organisations are involved in many different fields of endeavour and are located across the entire State. As well as organisations providing national or state-wide community services and social welfare, there are thousands of organisations with a primarily local focus, led by volunteers and used by members of the community to pursue many different interests and forms of recreation.

The OCS recognises that NFP and community organisations help deliver valuable services to individuals and the community, provide opportunities for social and economic participation, and are central to developing strong communities. The OCS also understands that in so doing, these organisations create economic value by improving overall health and wellbeing, and in many instances by helping people to be in a better position to enter the workforce. It is because the OCS understands the importance of NFP and community organisations, and in particular their valuable role in the delivery of government services, that we believe it is critical that their contribution be quantified and acknowledged.

Further, it is vital that governments at all levels – federal, state and local – put in place the policies, practices and programs necessary to help build a strong and supported NFP and community sector into the future. To this end, the purpose of this submission is to briefly outline the range of policy actions that the Victorian Government is taking to strengthen the NFP and community sector. The OCS believes that these initiatives can guide the Productivity Commission as to the preferred direction for the development of government policy and practices in this area.

The OCS would welcome the opportunity to discuss the initiatives to strengthen NFP and community organisations outlined below. The OCS also notes that it looks forward to the opportunity to provide further input into this Study following the release of the Productivity Commission’s Draft Report.

2 Victorian Government Action Plan: Strengthening Community Organisations

The Victorian Government's policy with respect to NFP and community organisations is outlined in the *Victorian Government's Action Plan: Strengthening Community Organisations* (April 2008) (the "Action Plan") (see <http://www.dpcd.vic.gov.au/communitysector>; Attachment 1).

2.1 Developing the Action Plan

This Action Plan was designed by the Victorian Government following extensive consultations with NFP and community organisations, philanthropic organisations and academia as part of two reviews:

- the *Report from the Steering Committee of the Strengthening Community Organisations Project* (November 2007) ("SCOP Report") (see <http://www.dpcd.vic.gov.au/communitysector>; Attachment 2); and
- the *Review of Not-for-Profit Regulation led by the State Services Authority* (September 2007) ("SSA Review") (see <http://www.dpcd.vic.gov.au/communitysector>; Attachment 3).

Such extensive consultation is an essential component of these review processes because, as the Victorian Government appreciates, it is vital that the knowledge and understanding of these organisations is incorporated into the policy development and implementation process.

These reports have highlighted both the challenges and opportunities for the NFP and community sector. In particular, these reports detailed the increasingly complex environment in which NFP and community organisations operate and the many economic and social changes that confront them – an ageing population, changing work patterns, changing family structures, rapid population growth in particular areas, and increasing social and cultural diversity. At the same time, more sophisticated services are being sought and community expectations are rising.

Undoubtedly, these factors place increasing pressures on the ongoing operation and viability of many of our NFP and community organisations. However, these changes also present opportunities for innovation and the development of new ways to meet the varied needs and interests of the Victorian community. The scope for innovation applies not only to organisations' internal operations and management, but also to how they work with government, industry, academia, and with citizens themselves. The more dynamic that NFP and community organisations can be, the more likely it is that they will be able to attract the participation and involvement of Victorians. Further, such innovation will better enable the NFP and community sector to chart its own future and represent its overall interests. The Victorian Government believes that NFP and community organisations, regardless of size or focus, should be strong, develop practices which lead by example, and are capable of capitalising on their status to create new public value.

2.2 Delivering on the Action Plan

The Action Plan combines the findings of the SCOP Report and the SSA Review into a coherent plan for strengthening NFP and community organisations. The objectives of this plan are twofold:

- to simplify and streamline the Victorian Government's interactions with NFP and community organisations; and
- to enable NFP and community organisations to invest in their own capabilities and long term sustainability.

To achieve these objectives, the Victorian Government has developed a set of 25 key actions which can broadly be grouped under five themes:

- reducing regulatory burden and streamlining interaction with government (*Theme 1*);
- building the capacity of community organisations (*Theme 2*);
- supporting innovation and growth (*Theme 3*);
- enhancing the role of NFPs (*Theme 4*); and
- recognising community organisations and coordinating efforts across government (*Theme 5*).

Further details of the individual actions to be undertaken under each of these themes can be found in the Action Plan at Attachment 1.

A key action was the establishment of the Office for the Community Sector, which has responsibility to work closely with the NFP and community sector and across government to implement the Action Plan. To this end, the OCS has established a NFP Reference Group with membership drawn from peak NFP community organisations and other large community organisations not represented by a peak body. In addition, Action Specific Reference Groups with membership drawn from recommendations from the NFP Reference Group have been established and include:

- a Regulatory Reform Reference Group;
- a Community Foundations Reference Group;
- a Grants & Service Agreements Reference Group; and
- a Workforce Capability Reference Group.

The OCS also works closely and collaboratively with all Victorian Government departments to ensure a whole of Victorian Government approach to implementation of the Action Plan.

Key highlights of the progress to date in relation to the Action Plan include:

- **Action 5 – Additional administrative reforms (*Theme 1*)**

In April 2009, amendments to the Associations Incorporation Act 1981 (Vic) prepared in consultation with the NFP and community sector were passed by the Victorian Parliament. These amendments simplify existing arrangements by:

- *enhancing the rights of members of incorporated associations;*
- *enhancing the provisions relating to the winding up and administration of incorporated associations;*
- *merging the Public Officer and Secretary for associations;*
- *allowing small associations (that is those with surplus assets of less than \$10,000) to apply to the Registrar of Incorporated Associations for voluntary cancellation; and*
- *enhancing the supervisory role of the Registrar of Incorporated Associations.*

- **Actions 1 – Reducing the burden of reporting, 2 – Review of audit requirements and 4 – Amendments to trading and model rules (*Theme 1*)**

To address the issues of reporting, audit requirements and trading and model rules, the Victorian Government is now progressing a second round of reforms to the Associations Incorporation Act 1981 (Vic). The OCS is working collaboratively with Consumer Affairs Victoria (CAV) which leads on these legislative reforms, and a process has been established to consult and work with the NFP and community sector.

- **Action 6 – Update of the Fundraising Appeals Act (*Theme 1*)**

In February 2009, the Fundraising Appeals and Consumer Acts Amendment Act 2009 was passed by the Victorian Parliament. These amendments enhanced transparency and accountability while at the same time simplifying existing arrangements by:

- *increasing the default period of registration from 12 months to 3 years;*
 - *enabling the Director of CAV to disclose the proportion of funds raised that has or will be passed to beneficiaries;*
 - *repealing the requirement for specific records to be kept in relation to clothing bins;*
 - *allowing the Director of CAV to issue guidelines relating to registration conditions;*
 - *removing the existing exemption for the solicitation of bequests; and*
 - *clarifying that commercial fundraisers must register.*
- **Action 7 – Enhancing regulatory awareness and engagement (*Theme 1*)**
To enhance regulatory awareness and engagement, the Secretary’s Handbook for use by Victorian organisations incorporated as associations under the Associations Incorporation Act 1998 (Vic) is currently being adapted. Work to enhance NFP and community sector awareness of regulatory changes is also underway, including a series of workshops and one-on-one consultations aimed at developing practical recommendations to reduce the cost and administrative burden to NFP and community organisations of Victorian regulatory frameworks and their administration. Victoria is also examining opportunities to deliver reductions in administrative burdens for these organisations as part of its ‘Reducing the Regulatory Burden’ initiative.¹
 - **Action 9 – Ensuring service agreement consistency (*Theme 1*)**
The Victorian Government is seeking to ensure greater consistency in the agreements it uses to fund NFP and community organisations to provide services. To this end, the OCS is developing a funding framework that will identify a core set of terms and conditions that can be used for all funding agreements across government.
In addition, the Victorian Government is seeking to streamline the range of service quality standards and accreditation systems utilised by government when funding NFP and community organisations to deliver services. The OCS is developing and trialing technology that will allow a cross mapping of service quality standards and an NFP’s organisational hierarchy to eliminate duplication in associated reporting elements and remove redundant processes. The technology also aims to allow for greater consistency in accreditation systems through better alignment of quality and accountability requirements.
 - **Action 10 – Grants Reform (*Theme 1*)**
A range of activities are being undertaken by the Victorian Government in respect of this action including:
 - *a best practice guide for grant making to be used across the Victorian Government is being developed by the Community Investment Branch of DPCD. This guide will be provided as an on-line resource, and will follow the grant lifecycle in detail. It will give an overview of best practice principles for grant making, together with an outline of how to build a case for investment and the steps recommended for designing and implementing a best practice grant program;*

¹ The Victorian Government’s “*Reducing the Regulatory Burden*” initiative commenced in July 2006 with the goal of making it easier for businesses and NFP organisations to comply with regulation, thereby reducing their operational costs. Under the initiative, the Victorian Government is seeking to reduce the administrative burden of regulation by 15% over three years (which equates to a target of \$154 million), and 25% over five years (which equates to a target of \$256 million). Details of this initiative are outlined in “*Reducing the Regulatory Burden: The Victorian Government’s Plan to Reduce Red Tape, 2006*” (see Attachment 4) and progress reports available at <http://www.dtf.vic.gov.au/betterregulation>.

- *a Standard Chart of Accounts is being developed by the OCS in line with those used in Queensland, Western Australia and New South Wales;*
- *DPCD is developing a new, risk driven grants administration and monitoring framework to support greater consistency in the way grants are administered. The framework, to be shared across government departments, will establish a standardised approach to administration elements – such as funding agreement type, scheduling payments and project monitoring – that is proportional to risk. It uses two key parameters for risk: the capacity and capability of organisations that the department funds and the amount of funding being provided; and*
- *a tool to 'accredit' good funds managers is being developed, building on existing Guidelines for Assessing the Business of Adult Community Education Organisations. This tool will enable accredited organisations that are 'good fund managers' to have less detailed reporting and monitoring requirements. Agreements with these organisations will also be more focused on deliverables and outcomes than specifying 'how' they must be achieved in detail, in line with the grants risk management framework.*

As these initiatives are still in the process of development and implementation, the OCS would be happy to provide an update of these initiatives as part of the process of the Productivity Commission finalising its report.

- **Action 11 – Inter-governmental collaboration and reform (Theme 1)**

The Victorian Government has presented the Council for the Australian Federation (CAF) with the proposed NFP and community sector regulatory reforms in Victoria. In September 2008, CAF established a working group chaired by the Victoria Government to identify possible areas for co-operation and opportunities for harmonisation.

In addition, the Council for Australian Governments (COAG) recently agreed to include the regulation of the NFP sector on the 2009 workplan of the Business Regulation and Competition Working Group (BRCWG). The Victorian Government chairs the recently established NFP sub-working group of BRCWG.

- **Action 13 – Community Services Workforce Capability Framework (CSWCF) (Theme 2)**

This action commits the Victorian Government to work with the NFP and community sector to develop a framework focusing on identifying the skills and capabilities needed in the sector into the future. A draft framework is being developed and will be trialed with the sector. This action also includes one-off funding to establish a portable long service leave (PLSL) scheme for the NFP and community sector. The Department of Human Services has overall responsibility for establishing this scheme.

- **Action 18 – Developing community enterprise (Theme 3)**

This action commits the Victorian Government to join with the philanthropic sector to establish a 'community enterprise catalyst' which will provide emerging community enterprises with a range of relevant and ongoing supports specific to their needs. It builds on the Victorian Government's substantial commitment to help strengthen the capacity, sustainability and growth of community enterprises. The catalyst has now been registered as an Australian company limited by guarantee with the trading name Social Traders. The Victorian Government has committed \$4 million over four years to Social Traders, matching a further \$4 million committed by a private philanthropic trust and in-kind support from business and community organisations. Social Traders will be officially launched on 26 June 2009.

- **Action 20 – Stronger role for Community Foundations (Theme 4)**

Community Foundations are local partnerships established between community organisations, local businesses, government agencies and committed individuals for the benefit of the local community. This action commits the Victorian Government to fund 12 local Community Foundations over three years in areas where there is the right mix of community interest and need. Mapping of existing Community Foundations or similar structures has been completed, and four Community Foundations are scheduled to be funded by July 2009.

- **Action 24 – Facilitating dialogue and exchange between the sector (Theme 5)**

This action commits the Victorian Government to establishing state wide forums to discuss the issues addressed in the Action Plan. To this end, the OCS holds events to address and discuss opportunities to enhance involvement of business and the philanthropic sector in partnership with the Victorian Government to strengthen NFP and community organisations. Activities undertaken under this heading include:

- *December 2008 – forum held to seek the views of the NFP and community sector on the workforce issues in the Action Plan;*
- *February 2009 – forum held with Philanthropy Australia (PA) members to discuss response to Victorian bushfires – 70 philanthropic representatives attended; and*
- *April 2009 – meeting with the Victorian Bushfire Reconstruction and Recovery Authority (VBBRA), Victorian Bushfire Appeal Fund and the philanthropic sector.*

- **Action 25 – Supporting a new representative body for community organisations (Theme 5)**

This action commits the Victorian Government to provide one-off facilitation funding to support the sector to consider the establishment of an appropriate representative body. This funding has been provided to sector representatives, who are determining the appropriate form and membership of the representative body.

3 Case Studies

The OCS believes that case studies are an effective way of demonstrating the progress that is being achieved in strengthening the NFP and community sector in Victoria as a result of the range of partnerships and policy initiatives that the Victorian Government is implementing. Detailed below are two case studies:

- an Adult Community and Further Education initiative – a case study of a successful partnership approach to the streamlining of funding approval processes; and
- the Rosewall Best Start project – a case study of successful partnership approaches to service provision.

Again, the OCS notes that it would welcome the opportunity to discuss these examples in further detail.

3.1 Case Study 1: An Adult Community and Further Education (ACFE) initiative

The benefits of streamlining accreditation processes with respect to funding arrangements is demonstrated by reforms undertaken by the Adult Community and Further Education (ACFE) Board. The ACFE Board provides funds to Regional Councils for the delivery of adult learning programs. The funds provided by the ACFE Board are allocated on a calendar year basis by Regional Councils through contracts with organisations assessed and certified as viable businesses.

In the context of the Ministerial Statement on Adult Community Education released in June 2004, the ACFE Board identified the need to revisit the key characteristics of organisations

that should be eligible for ACFE Board funding. To this end, the ACFE Board Business Viability Framework was developed, which established a decentralised process for the independent certification of the 350 Victorian Registered Adult Community Education (ACE) organisations. To be considered for funding by the ACFE Board an organisation must be registered by the ACFE Board, a process that renders the organisation eligible for funding but does not guarantee that a contract will be negotiated in any year. At the point of contract the ACFE Board requires an ACE organisation to undertake an annual business viability assessment using an independent entity. Introduced in 2006, it replaced a system of assessment by ACFE Regional Councils.

These arrangements place the responsibility for achieving accreditation, in particular the financial responsibility, with the organisation seeking funding and not the ACFE Board, shifting the role of Regional Councils from an audit role – for which they were not trained – to a contract management focus in relation to funding agreements, and removed the possible conflict in relation to governance, auditing and assessment.

3.2 Case Study 2: Rosewell Best Start project

The importance of putting in place processes which facilitate partnerships between Government and NFP and community organisations is illustrated by the Rosewell Best Start project.

Best Start is a Victorian Government place based initiative that aims to improve the health, development, learning and well being of Victorian children aged 0-8 years. At each prospective site, a Best Start partnership is established that brings together parents and service providers in the local community to improve access to and coordination of universal early years services and ensure these services are responsive to local needs.

The Rosewall Best Start program was one of the initial Best Start sites, established in 2003. There are 19 organisational signatories to the Rosewall Best Start partnership agreement, which includes the City of Greater Geelong, local primary schools and kindergartens, the neighbourhood house, a parent representative, Bethany Community Support Services, Centacare Catholic Family Services, Glastonbury Child and Family Services, Barwon Health, Shell Australia (Geelong Refinery), the regional Department of Education and Early Childhood Development and Corio Neighbourhood Renewal.

The Statewide Evaluation of the initial Best Start sites, conducted by the University of Melbourne, was undertaken over a period of four years, with the final report published in September 2006. The evaluation used the VicHealth partnership tool to measure the effectiveness of partnerships, and the service co-operation and co-ordination tool, developed specifically for Best Start, to measure service co-operation activities. The evaluation demonstrated the success of Best Start in establishing and sustaining partnerships, implementing collaborative action and improving service coordination and collaboration.

Strategies employed by the Rosewall Best Start project are a good illustration of how well designed partnership projects can successfully engage vulnerable families and provide assistance through a joined-up approach to service delivery. Rosewall in Corio, North Geelong, is a highly disadvantaged community and the results for the 2005 Australian Early Development Index (AEDI) survey demonstrated that a significant number of 6 year olds living in Corio were failing to meet expected levels of social, emotional, cognitive, language and physical development. In 2006 the Rosewall Best Start partnership started having discussions about creating a family centred service unique in Corio, motivated by concerns regarding the 2005 AEDI results; the declining enrolments in Rosewall kindergarten and the high proportion of children starting school without having participated in any structured early learning and care environments. A project was established to review, restructure and develop a new and more vibrant kindergarten model that was integrated with a range of other supports for local children and families and informed by discussions and surveys of local families. The result was the establishment of the Early Learning Centre@Rosewall in

2007. The Centre provides an integrated kindergarten program for 3 and 4 year old children offering two longer days of kindergarten with a midday meal. Meals are funded by Shell Australia (Geelong Refinery), a member of the Rosewall Best Start partnership. The kindergarten teacher has three hours per week of community development, on top of the planning time usually provided, to link families and the program to other local services, schools and community activities. The kindergarten is now at full capacity and 20% of the children enrolled are Aboriginal. A number of other family and early intervention services also operate from the Early Learning Centre including supported playgroups, HIPPY parents' meetings, child and family counselling services, health assessments and an early intervention group for children with additional needs.

The strength of the Early Learning Centre@Rosewall, in engaging disadvantaged children and families in regular learning and support activities, is a clear example of the Best Start program's success in mobilising the local community through building strong partnerships that are committed to improving health, learning and development outcomes for local children. The Early Learning Centre@Rosewall model has been replicated with the opening of an Early Learning and Family Centre in Whittington, a Victorian Government Community Renewal site in Geelong.