



NADA response to:
**Productivity Commission Draft Research Report on the Contribution
of the Not-For-Profit Sector**
November 2009

The Network of Alcohol and Other Drugs Agencies (NADA) thanks the Commission for the preparation of the Draft Report and the opportunities provided to input into the process. As the peak organisation for the non government drug and alcohol sector in NSW, NADA provided a submission to the Issues Paper released in April 2009 and refers the Commission to this paper for further detail on NADA and its membership.

NADA has reviewed the Draft Report, and is in general agreement with the report findings and the recommendations. In this response, NADA will not be making comments on all recommendations. Rather, we have indicated those recommendations which NADA strongly supports as immediate reform areas, as well as some additional issues relating to specific recommendations.

NADA strongly supports the following recommendations and believe these are the most crucial reform areas:

Draft Recommendation 9.2 Recommendation relating to promoting social innovation through building evaluation capacity

NADA suggests the Commission's final report recommend that guidance, training and **resources** to support evaluation activities become a core component of government funding programs to the sector. NADA argues that current government not for profit (NFP) funding and budgeting policies often preclude the development of robust and appropriately resourced evaluation components of NFP service delivery.

Draft Recommendation 9.3 Recommendation relating to supporting sector development through the expansion of business support programs for small and medium sized enterprises to not-for-profits engaging in social enterprise activities.

NADA further suggests that all Australian Governments develop formal nationally consistent industry plans for the NFP human services sector (as has already been undertaken in Tasmania). Business support programs should then come under these industry plans.

Draft recommendations 10.2, 10.3 and 10.4 Recommendations relating to addressing current and longer term workforce shortages in community services and building governance capabilities

NADA strongly supports these recommendations and notes they are supported by very clear survey evidence at multiple levels across Australia, particularly through work completed by the Council of Social Services (COSS) network in partnership with research bodies. We strongly argue for the development of nationally consistent industry plans for the sector to underpin these recommendations and note the key support and coordination role that NFP peak organisations can play in this area across crucial domains like workforce development and governance.

Draft recommendation 11.1, 11.2 and 11.3 Recommendations relating to providing clarity over funding obligations

NADA supports the clear distinction between full cost service funding and funding that is provided to NFPs as an undetermined 'contribution to service delivery'. We particularly agree that where NFPs are providing services that government would/should otherwise provide, they should be funded for the full cost of providing these services. A strong case for this funding exists in NSW where drug and alcohol residential rehabilitation treatment services are almost exclusively provided by the non government sector, yet NFP service providers are only funded as a 'contribution to service delivery'.

NADA supports the introduction of independent costing exercises to determine the full costs of new or significantly changed services. NADA argues that in addition to new services, there are a number of existing services that have never been costed by the government (an example of this is NFP drug and alcohol health promotion and prevention programs in NSW) which should be considered in recommendations made by the Commission.

It is essential that Government include reasonable compensation to service providers for the costs imposed by changes in government policy. There have been increases in accountability and reporting requirements for many NFP services in the last decade. These requirements have not had sufficient financial compensation by government to support undertaking the additional compliance activities. An example of this is the requirement for NFPs to undertake externally accredited quality improvement programs, with no additional funding to support the costs of the program with the result that the financial and human resource costs of doing so have to be absorbed by the NFP organisation.

Draft recommendation 12.1 and 12.2 Recommendations relating to other models of engagement with NFPs other than a market based approach

NADA agrees that Australian Governments' model of engagement needs to be driven by considerations outside the narrow scope of departmental procurement policies. While we agree that consideration should be given to client-directed funding and service models, we argue that an extensive international study of the strengths and weaknesses of such an approach be undertaken to determine good practice across a range of funding models and that this informs the implementation of a range of funding models.

NADA believes that the most appropriate form of funding relationship for NFPs that provide services on behalf of government, where those services are part of identified government service delivery plans, is a long term extended partnership arrangement between the

government funder and the NFP service provider. These funding arrangements should reflect the true cost of service delivery and be accompanied by appropriate service partnerships and linkage arrangements.

Draft recommendation 12.5 and 12.6 Recommendations relating to improving management and the appropriate sharing of risk

NADA supports this recommendation and argues that this is highly relevant to the service delivery arrangements where NFPs are providing services on behalf of government as part of an overall government service delivery plan.

The issue of risk management is currently poorly managed by government funders in the human services sector. As noted in a recent report published by the Public Interest Advocacy Centre, the Whitlam Institute and the Social Justice and Social Change Research Centre (both located within the University of Western Sydney), funding and performance agreements should allow that risks exist, cannot be eliminated and will be shared by government and the NFP organisation. This includes the identification of the principle risks, provisions for agreement on risk minimisation, risk management measures that are proportional to the level of identified risk and cost structures to allow for the management of risk e.g. infrastructure upgrades.¹

Draft recommendation 12.7 Recommendation relating to streamlining tendering, contracting and reporting requirements

With respect to the development of Master Agreements, NADA supports the view that these are clearly more efficient contract mechanisms when overall service delivery by an NFP is broken down into components of similar or complimentary service components (e.g. drug and alcohol treatment services that include in and out patient service components).

Draft recommendation 13.1 and 13.2 Recommendations relating to supporting effective relationships and driving change

NADA strongly supports this recommendation and would add that Compacts should be endorsed by Government at the same level as State or National strategies or plans, and be supported with appropriate resources to monitor and assess their effectiveness.

NADA additionally believes that the location of the Office of the Not-For-Profit Sector Engagement within the Prime Minister's portfolio will give sufficient authority and gravity to the national Compact. Public reporting of the achievements of the reform agenda is an important part of the Compact.

NADA highlights some issues/concerns relating to several recommendations:

Draft recommendation 5.2 and 5.3 Recommendations relating to improving the comparability and usefulness of information collected

¹ University of Western Sydney, Public Interest Advocacy Centre & Whitlam Institute (2009). A question of balance: Principles, contracts and the government-not-for-profit relationship, Sydney.

With respect to this recommendation, NADA is supportive of the principles articulated but has some concerns regarding a common framework for evaluating the contributions and impacts of NFP programs. We believe that close consultation with the National and State based Councils of Social Services will be needed to ensure there is not a 'one size fits all' framework.

NADA supports the recommendation on minimising compliance costs and in particular the principle of 'report once, use often'.

Draft recommendation 5.4 *Recommendation relating to improving evidence-based practice through evaluation*

NADA has concerns that the establishment of a Centre of Community Service Effectiveness to promote best practice in evaluation may be duplicative of the work undertaken by many national research centres, the Australasian Evaluation Society and a range of other specialist centres that focus on promoting best practice evaluations across a range of human services programs. It may be more beneficial to support existing centres, Government departments and the NFP sector to better apply best practice evaluation. NADA is also concerned at the potential for the proposed Centre to sit away from the sector it intends to assist.

NADA believes that government funding agencies need to build in and understand best practice evaluation as part of granting programs and provide the additional resources through grants to support evaluation conducted by NFPs.

Conclusion

As previously noted, NADA advocates for and strongly supports reform of NFP grants management programs across Federal and State jurisdictions in order to reduce regulatory burden and improve efficiency and effectiveness for both the Government and the NFP sector.

Once again, thank you for the opportunity to contribute.

Should you have any queries in relation to this or NADA's previous submission please contact:

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