



Samaritans

Compassion Integrity Justice

Samaritans Foundations' response to the Productivity Commission Draft Research Report

'Contribution of the Not-for-Profit Sector'

The Samaritans Foundation – Diocese of Newcastle (Samaritans) as one of Australia's largest regional NFPs appreciates the chance to respond to the Commission's draft report on 'contribution of the Not-for-Profit Sector' which we view as a significant step in achieving growth and sustainability of community minded organisations.

The draft research report highlights five key areas on which to build efficiency and effectiveness:

1. knowledge systems
2. clearer governance
3. effective sector development
4. stimulus for social innovation
5. relationship building

Knowledge systems

Knowledge Management is a critical component in an organisation's ability to sustain long-term growth and sustainability. Whilst important for all NFPs, access to useful and up-to-date information is vital for regional NFPs which deal across a range of LGAs often in remote areas. NFPs should manage their knowledge similarly to for-profit organisations.

The introduction of technology alone is not sufficient for the development of effective knowledge management systems. Knowledge creates the culture of change as well as the ability and capacity to adapt. Additionally it promotes ability to innovate. The capacity for knowledge management and ability for knowledge sharing is essential for NFP growth and sustainability.

Draft Recommendation 5.1 discusses the initiative of creating an Information Development Plan to address statistical coordination. Whilst this would be a significant benefit for NFPs, wide ranging knowledge systems need to be built by the NFPs themselves in order to create organisational capability for change, adaption and innovation, thus promoting quality of service through efficient knowledge sharing.

NFPs in delivering services to clients or the community, such as welfare, refuge, case work and support; aside from being able to validate funding through the provision of minimum data sets (MDS) also need to capture and analyse information that demonstrates the value of their programme to social capital, inclusion and the community. Draft recommendation 5.2 suggests a common framework for measuring the contribution of the not-for-profit sector. Such a framework would need to consider qualitative methods as well as quantitative. To rely on quantitative methods alone, continues the premise that MDS are the only measure in the assessment of programme success. Additionally such a framework would need to be built around utilising knowledge as the catalyst for change and improvement, rather than the capability to know and retrieve.

The capacity for knowledge management and the ability for knowledge sharing are essential to the NFPs potential for growth, sustainability and quality of service. Culturally, NFPs are aligned to embracing knowledge sharing, however they require systems in place to capture useful knowledge and promote knowledge sharing. Draft recommendation 5.4 with input by NFPs should assist in achieving this.

Clearer governance

Governance is the decision-making process that drives the operation of an organisation. The success of a NFP organisation is reliant on investing in the capital and resources in order to create effective business processes and to actively embed them into the operations of the organisation. Managing and assessing these processes proactively against the performance of the organisation completes the picture. Intangible costs associated with the development of the framework to support improvements in governance are more difficult to measure and include the additional human capital resources required to track and incrementally adjust relevant processes. By spending a large amount of resources on funding body compliance and by competitive funder cost driven tendering, NFPs are in some cases neglecting CSR and governance. Government support is required to ensure that NFPs have robust governance and CSR processes in place.

Acquittals: The acquittal requirements of funding bodies are a primary driver of processes in Finance. Another major driver is accounting standards. These two drivers result in conflicting requirements with financial statements prepared in accordance with accounting standards to satisfy external audit, and acquittals accommodated outside of the general ledger to satisfy funding bodies. This results in the creation of extra work and duplication of effort.

In the 2009 financial year Samaritans received \$15.2m from the NSW Department of Ageing, Disability & Home Care (ADHC). Given that the bulk of these funds is recurrent with little change other than for CPI adjustments, the requirement to complete 101 separate acquittals at year end, many of which were for ADHC is of little value but high workload and effort. Each of these is audited individually adding considerably to the

external audit fees. Audit fees for acquittals accounted for over 50% of total external audit fees.

In the absence of acquittals, the controls that the funder can place reliance on are as follows:

- Accreditation of the provider across the whole organisation including support services.
- Pre-qualification of the provider for various types of service delivery.
- Monitoring visits to service delivery locations.
- Satisfaction surveys of clients and families.
- External financial audit of the organisation and the requirement to submit audited financial statements to the funder demonstrating financial performance and position.

Draft recommendation 6.2 supports the reduction of regulatory requirements. The cessation of the acquittal process for instance would remove resource burdens for both the funder and provider, allowing more productive and appropriate use of funds for direct service provision, while not detracting in any way from the quality. This is a precedent already set by other government departments, notably NSW Health.

Shifting the focus of attention from the close management of inputs into services toward quantitative and qualitative measures of outputs and outcomes for clients will improve quality of client service and enhance innovation. Whilst the resource burden of compliance is carried by providers, the burden of monitoring is carried by the funder.

Funding bodies and NFPs should work together to ascertain relevant quantitative and qualitative assessments. Minimum data sets whilst appeasing government requirements do not assess the quality of the programme and the ongoing benefit to the client.

More effective sector development

Government needs to take steps to assist in addressing the fundamental organisational weakness in governance, planning and evaluation.

Funding of infrastructure within the NFP sector is problematic. There are calls for NFPs to be more accountable which may require more infrastructure, but those making these calls are at the same time reluctant to fund this work. The micro-management of funding creates the situation where an agency must fund any over-run in a given service, but also must return excess funds for a neighbouring service funded by the same department. No offset is generally allowed; the agency loses both ways.

The cost of competitive tendering to NFPs has become significant and does not attract any funding. Pre-qualification was to have minimised the requirements of tenders, however this does not seem to have occurred.

Funding for capital items has significantly decreased and for some NFPs this means the option of purchasing capital items is not available.

Fully funding the service will enable NFPs to pay competitive wages to attract and retain both client service staff and support staff (finance, IT, etc). Regional NFPs face the additional challenge of lack of a human resource pool which is then compounded by the lack of parity of wages. Another avenue for attracting suitable staff is to review the FBT concession which has not been revised since its introduction. Accordingly the value this concession has eroded over time due to inflationary impacts. This is particularly relevant to support/administrative staff who often hold qualifications which will allow them to work in any industry. Where NFPs are unable to compete in the marketplace with private and public organisations they will find it difficult in attracting and retaining quality staff.

Social innovation

Evaluations of social programmes generally end up in the higher echelons of a centralised decision making process. Often evidence takes time to accumulate and the need to be "*seen as doing something*" overrides the call for detailed evaluation and an analysis of the programs benefits including social benefits. This need to draw quick conclusions stifles innovation of practice and innovative models. Draft recommendation 9.2 suggests guidance and training for NFPs on undertaking evaluations. Possibly the formation of partnerships (government, NFP and clients) aimed at constructing participatory evaluation formats would provide the means for social evaluation and innovation.

Funding is a significant factor in the lack of systems for evaluation. Given that funding scarcely covers client needs; the capacity to look to innovative solutions and support them with detailed analysis is unavailable.

The stimulus of social innovation would be supported by the following:

- Programmes, goals and outcomes being put into perspective. Programmes should have more modest expectations. For instance: "Helping people to cope" is an important contribution or goal.
- Strong programme models should be evaluated alongside evaluations of models working at ordinary levels. This would assist in showing whether a programme at its best can achieve the desired results and would enhance collaborative innovation.
- Test controlled small-scale prototypes before major programmes are launched, are advisable. Again using a collaborative approach, consequences, both good and bad, can be weighed up before they have far-reaching impact and commitment.

Relationship building

Regional NFPs require closer ties with government agencies than their city counterparts. Additionally, the need for government understanding in the peculiarities of regional delivery of service and the need for specific and unique regional understanding should be addressed.

Whilst government agencies can assist in connecting NFPs with business and research institutions to work collaboratively; the selection of appropriate models of engagement for service delivery based on regional community needs and requirements should be a major consideration. Regional NFPs additionally have differing capacity constraints.

The alignment of relationship is also an important consideration, with the potential for reputation being endangered by association. This is often the case in regional areas with 'forced' partnerships.

Conclusion

Samaritans aim in this response to the Productivity Commission Draft Research Report has been to discuss from a regional perspective the five key areas on which to build efficiency and effectiveness. This response focuses on a reliance of useful knowledge for growth, sustainability and quality of service, as well as the systems required to achieve this. It is essential that a relationship between government and the community sector including regional bodies be established and nurtured.

Samaritans as one of Australia's largest not-for-profits looks forward to continuing to support the recommendations of the Productivity Commission and would welcome the opportunity to work with the Commission to ensure that the proposed frameworks support both regional NFPs and clients in regional and remote areas.