

Submission to the Productivity Commission on the Draft Research Report on the Contribution of the Not-for-Profit Sector

The Benevolent Society
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Contact :Annette Michaux

General Manager, Social Policy and Research

T: 02 9339 8065

E: annettem@bensoc.org.au

The Benevolent Society

Level 1, 188 Oxford Street
Paddington NSW 2021
PO Box 171
Paddington NSW 2021

T 02 9339 8000
F 02 9360 2319

www.bensoc.org.au

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1. Introduction

Thank you for the opportunity to provide feedback on the Contribution of the Not-for-Profit Sector draft research report. The Benevolent Society welcomes the Productivity Commission's recommendations which, if implemented, have the potential to transform the relationship between the not-for-profit sector and the Federal Government.

The Benevolent Society made a submission to the Productivity Commission in May 2009 at an earlier stage of this consultation process. The earlier submission is available on our website at <http://www.bensoc.org.au/uploads/documents/submission-contribution-notforprofit-sector-may2009.pdf>.

The Benevolent Society strongly supports the directions proposed in the draft research report. In this brief submission we focus on those aspects that we feel need additional attention, in particular a common measurement and evaluation framework (pg 2), social innovation (pg 5) and improving the effectiveness of direct government funding (pg 7).

About The Benevolent Society

The Benevolent Society (TBS) is Australia's first charity. We are a secular, not-for-profit (NFP) organisation working to bring about positive social change in response to community needs. Since 1813, we have identified major social challenges and worked to meet them head on.

Our purpose is to create caring and inclusive communities and a just society. We deliver leading edge programs and services, find innovative solutions to complex social issues and advocate for a more just society. We believe that building stronger communities will lead to a more socially inclusive Australia. We take pride in delivering effective services and are constantly looking for new and better ways of working. We help the most vulnerable people in society, and support people from all backgrounds including Indigenous Australians and people from culturally and linguistically diverse communities.

2. Building a better knowledge base

Recommendations 5.2 and 5.3: Common measurement and evaluation framework

The Benevolent Society would welcome the development of a common measurement and evaluation framework that focuses on outcomes and impact, as well as on selected processes.

We recommend that the development of any framework builds on the significant work which has already been undertaken by NFPs, universities and government agencies on the development of outcome and evaluation frameworks across a range of policy areas. For example, TBS has had an outcomes framework in place for a number of years and is in the process of developing an organisational evaluation framework that will stipulate the

collection of a limited number of outcome measures across its range of programs. Further detail can be found in Attachments A and B.

Other large NFPs such as The Smith Family, UnitingCare Children Young People and Families and Mission Australia are undertaking similar work. The development of a common measurement and evaluation framework should take account of this previous work and build on it. This would need to be supported through consultation with a range of stakeholders including NFPs, government agencies at the state and federal level, peak bodies, university research centres and private research and evaluation organisations. It is important that the framework is not seen as yet another reporting requirement but instead provides useful information for NFPs in assessing their own performance and how they might improve outcomes for clients.

The Benevolent Society agrees with the principles set out by the Productivity Commission for the common framework. Flexibility will be very important in how the framework is implemented, to ensure relevance to the wide range of activities and outcomes covered in the work of the sector and so that it can build on existing measurement work already undertaken by agencies.

It is especially important that the framework allows for measurement of those aspects of NFP service provision that set it apart from service delivery by for-profit and government providers, particularly where they entail extra costs to the organisation. Client and community participation in program design, planning, implementation and evaluation is one example and there are many others, well described in Chapter 2 of the report. Better articulation and measurement of the unique and valuable aspects of NFP service provision will assist government in its tendering and purchasing decisions and in identifying whether it is appropriate that services be delivered through for-profit providers.

As the draft report notes, outcomes sought by NFPs are often difficult to measure. We therefore stress the need to rely on a mixed method approach for the collection of data and where possible use standardised measures to assist comparability. In the development of our own evaluation framework, TBS is selecting a range of outcome measures to be applied across our programs. These will include both qualitative and quantitative measures. Quantitative measures will only be selected if they have strong reliability and validity and where there is normative data for comparison to the general population.

We agree that proportionality is important in the development of the framework and that the true cost of collecting and reporting on data against measures must be considered in relation to this. As the draft report notes, undertaking evaluation is costly and is often not funded as part of service delivery contracts. Furthermore the true cost of data collection (including the time of staff to collect data directly from clients) is often not taken into account.

The development of a common evaluation framework will need to include an analysis of the true costs of implementing the framework for organisations. Sufficient resources should be

allocated to organisations to implement the evaluation framework. Large NFPs such as The Benevolent Society may be in a position to invest some resources in developing their internal evaluation capacity however for smaller organisations this is often not the case. Many NFPs, especially those with no or limited internal evaluation capacity, would benefit from support for collaborative networks which facilitate the sharing of expertise, tools and resources. For example like the Sydney-based NGO Research Forum and the Australasian Evaluation Society are examples of existing support networks for NFPs engaging in evaluation.

The draft report notes at **5.24** that **recommendations 5.2 and 5.3** should partly address concerns around the capacity of NFPs to undertake evaluation. This will only be the case if NFPs are resourced to implement the framework in their organisation. These costs include recruiting research and evaluation staff with the necessary skills, and the collection and analysis of data, and reporting and translating the findings for their organisation and the sector more broadly. As the Productivity Commission notes in **recommendation 9.2**, many NFPs will require specific guidance and training on undertaking evaluations.

The development of any framework must also carefully consider the burden that collecting data imposes on program staff and their clients. Where possible measures should be explored which do not require collecting new data from individuals and the use of existing administrative data or existing population level data should be encouraged. The principle of 'report once, use often' is vital.

TBS's experience is that evaluation has greatest value where program staff have been closely involved in the development of evaluation frameworks and most importantly where results are reported back to program staff on a regular basis to inform their ongoing practice. We therefore welcome the Commission's recommendation that information generated through performance evaluations be returned to service providers.

Alongside the development of a common evaluation framework, there must be continued investment in the evaluation of large scale policies and programs. These should include robust longitudinal evaluations and, where possible, experimental evaluation designs. The outcomes of community programs such as Communities for Children take time to emerge and so it is vital that we continue to undertake longitudinal evaluation of this and other programs.

Recommendation 5.4: Centre for Community Service Effectiveness

We would welcome the establishment of a Centre for Community Service Effectiveness to promote best practice approaches to evaluation and provide a portal for lodging and disseminating evaluation reports. We recommend that there is strong representation from the NFP sector in the establishment and governance of the Centre and that ideally its services should be provided through a partnership between the government, academic and NFP sectors. The Centre should provide practical advice on how to undertake evaluation

that meets the needs of a range of sizes of NFP organisations. It should also aim to complement (not replicate) the work of existing clearinghouses.

The Centre should sit outside government to ensure independence. The structure of the Centre will be central to its success. The capacity of the Centre to work across states and territories and with all governments will be a particular challenge. Successful examples of similar models should be carefully considered and adapted. There should also be a presumption that all evaluations will be available to the Centre unless there are convincing reasons to the contrary.

3. Smarter regulation of the not-for-profit sector

As a large NFP operating across several state jurisdictions, TBS supports the simplification and standardisation of sector regulation.

Regarding **recommendation 6.2**, a Standard Chart of Accounts will be helpful, however this needs to be complemented by a standard format for reporting to government agencies. Reporting requirements must also be reasonable. For instance, annual reports due by 31st October in line with Australian Accounting Standards, would be appropriate.

In regards to **recommendation 6.4** on the one-stop-shop for government regulation, The Benevolent Society's view is that this function should sit with the Australian Securities and Investments Commission.

4. Realising funding opportunities for the sector

The Benevolent Society would welcome policy reform which supports the fundraising activities of NFPs. TBS is currently building knowledge and experience as to what constitutes best practice management of NFP endowments. An endowment is a capital amount that is managed within or alongside the NFP. The income generated from that capital provides ongoing annual funding for programs and services.

Diversity of funding sources and duration of funding is a critical issue for NFPs. TBS considers an endowment a critical part of achieving the mix of diversity. It provides a funding source that is potentially perennial and is available to smooth out the fluctuations in other funding sources that are mostly short term in nature. The growth in Prescribed Private Funds (now called PAFs) in Australia in the last eight years has expanded the market and thinking amongst philanthropists for capital funding to support charitable programs. TBS would welcome government support in promoting the use of endowments by NFPs within their funding and asset base, and the promotion of the principles and regulation of their good management.

In regards to tax concession status (**recommendation 7.1**), TBS would welcome the harmonisation of tax legislation. We would also welcome government assistance in promoting and supporting planned giving (**recommendation 7.3**). The Benevolent Society has been actively exploring different avenues for raising capital and believes the sector would greatly benefit from government support in this area (**recommendation 7.4**).

5. Facilitating social innovation and sector development

The Benevolent Society has a long history of social innovation and it is an organisational priority. TBS invests in innovation, examples of which were provided in our May 2009 submission to the Commission.

Implementing these innovations has proven challenging. As the draft report notes, ‘wicked problems’ require holistic, multi-pronged, collaborative and long-term solutions. However, government funding is generally available for single purposes, single agencies and relatively short time frames. As a result, while governments may recognise the value of a social innovation, if it does not fall into an existing category of funding it will not be funded, the innovation will not be implemented and the wicked problem remains.

Social Innovation Funds to support research collaborations into innovative solutions as suggested in **recommendation 9.1** would be welcomed. Just as important is funding to *implement* social innovations. The Federal Government could consider matching funds which are provided by NFPs themselves, or by business and philanthropists. The below case studies give examples of TBS’ significant investment in social innovation and the challenges and costs associated with attempting to implement these innovations.

Case study 1: Growing Communities Together

In 2007, TBS conceived of a long-term intervention in two disadvantaged communities which would put into practice the evidence around developing social capital in communities to reduce disadvantage. This project is named Growing Communities Together.

Since 2007, TBS has: undertaken a literature review on community development and developed a practice framework; undertaken research analysing the characteristics of two disadvantaged communities and is doing a needs analysis; employed two project workers for six months in one community and one full time worker in the other community to undertake community consultations; employed a part time project manager; made eleven funding applications; and undertaken baseline research in both communities.

The aims and practice framework of Growing Communities Together are aligned with the Federal Government’s social inclusion agenda. It is an innovative model which seeks to put well-established theory around social capital and cohesion into practice. The problems faced

by these communities are complex and the proposed interventions are multi-pronged, and work across generations, community institutions and service providers.

Despite this, the project has gained very little support from government or private sources. A part-time, short-term position was funded by the Department of Health and Ageing, the project received a small grant from a foundation and TBS was recently successful in securing a three year ARC Linkage grant to continue the research component of the intervention on social capital in the communities.

Potential funders have indicated that they will consider funding specific activities but not the core community development and coordination work which is the essential underpinning of the project.

Case study 2: Apartments for Life

The Benevolent Society is currently developing a new way of living in later life to give older people an alternative to traditional forms of retirement accommodation and aged care. It is based on the fact that appropriate housing and social supports can enhance older people's self reliance and quality of life and reduce their need for aged care services (for more information see TBS' May 2009 submission, page 12).

This innovative project has progressed due to strong support from TBS' Board for pioneering innovative solutions to social issues. The investment by TBS has been considerable, over \$1 million. The investment in this innovation has gone well above and beyond the ordinary scoping process that would be undertaken prior to the development of a standard retirement village.

For instance, TBS has: commissioned an economic analysis of the model reflecting the benefits of the model for tax-payers and society as a whole; undertaken a process evaluation; funded three exploratory overseas investigations of new models of housing and care; commissioned an assessment of housing affordability among low-income older people in Bondi; commissioned research and development of the service and community engagement model; engaged in significant community consultation processes; and employed two full time equivalent staff for three years.

To date, this project has been entirely funded by TBS, with no contribution from governments or private investors. This is despite widespread recognition in government and beyond of the value of the model. Unlike a private developer which would typically seek commercial advantage in this situation, TBS has committed to making its learnings from this project publically available so that it can be replicated or adapted elsewhere.

The Benevolent Society supports the expansion of business support programs for small and medium sized enterprises to NFPs engaging in social enterprise activities (**recommendation 9.3**). Resources available through Business Enterprise Centres and state and regional employment and development would be of considerable benefit to NFPs engaging in social enterprise.

6. Sustaining the not-for-profit workforce

The Benevolent Society commends the Commission's recommendations regarding the NFP workforce. They are very much in line with The Benevolent Society's recommendations regarding workforce planning, pay parity, and training in management and governance.

As addressed in our May 2009 submission, mechanisms through which staff capacity-building could be factored into funding, and leave and long-service entitlements could be portable across sectors the government and NFP sectors would be welcome.

7. Improving the effectiveness of direct government funding

The Benevolent Society supports the Commission's recommendations regarding direct government funding. If implemented, these recommendations would make the terms of service delivery more transparent and would remove several barriers which have worked against greater cooperation and good-will between the sectors.

The implementation of these recommendations will be the challenge. Regarding the costing of a service (**recommendations 11.1 and 11.2**), standard guidelines around the cost of a full-time equivalent employee which includes the costs of supervision, running costs and so on would be helpful. Just as government departments factor in back-office costs, depreciation and research in their own budgets, these costs also need to be reflected in service provision contracts which purport to fully fund programs.

The establishment phase of newly funded services must also be adequately supported. As an example of how this can work well, TBS was funded by the Department of Community Services (NSW) for the establishment phase of our Out-of-Home Care program which has resulted in a program which has a strong evidence-base, is delivered by well-trained staff and should, in the long-term, result in better outcomes for children in out-of-home care.

Recommendation 11.3 which addresses reasonable compensation for providers for the costs imposed by changes in government policy or service agreements, is of utmost importance. NFPs regularly incur significant costs related to changes in government policy which are not recognised.

A recent example of this is the changes to the child protection system in NSW under the *Keep Them Safe* reforms which TBS strongly supports. Much of the funding which has been dedicated to smoothing this transition has been aimed at government departments. However, the changes have much more far-reaching effects. For instance, the reforms will have significant implications for NFP providers of the Brighter Futures program. Changing procedures, forms and training will incur costs of time and resources which are borne by the NFP service providers, with no opportunity to renegotiate service agreements to reflect this.

As noted in our May 2009 submission, NFPs also invest a great deal of time and resources when assisting government to change policy and programs, through consultations and working groups.

Recommendation 11.4 states that government should respect the independence of funded organisations and not impose conditions associated with the general operations. TBS strongly supports this principle. At the same time, TBS recognises that if NFPs are to be funded by the public purse they must also act in the public interest. Governments must ensure that the principles under which contracts are expected to function are clear and that potential service providers are able to work within those principles.

8. Removing impediments to better value government funded services

The Benevolent Society strongly supports the principles articulated by the Commission regarding models of engagement between governments and NFPs.

Recommendation 12.2 states that where a market-based approach is not feasible or appropriate, governments should use other models of engagement, and that these may include extended-life or short-term collaborative relationships. TBS supports the Commission's recognition of the importance of long-term interventions and evaluation, and the need for collaborative program design and review. These are important principles. Their implementation will require caution in a number of regards. Firstly, while collaborative program management can have many benefits, this should not cross over into governments micro-managing the daily delivery of services. Secondly, there must be capacity for long-term collaborations to cease if service-delivery organisations do not achieve outcomes.

Explicit risk management frameworks as discussed in **recommendation 12.6** are very important. These frameworks should factor in additional funding where NFPs will bear substantial risk, as is the practice in commercial contracts.

9. Building stronger, more effective relationships for the future

The Productivity Commission's recommendations regarding mechanisms to support strong relationships between government and NFPs are consistent with TBS' own recommendations in our recent submission regarding the National Compact Consultation paper¹.

In line with **recommendation 13.1**, the implementation and governance of any Compact must be well resourced; have clear practical processes; clearly defined outcomes, timeframes, roles and responsibilities; and transparent review mechanisms.

It is essential that effective NFP/ government relations are promoted and championed throughout the administrative and executive arms of government. The Department of Prime Minister and Cabinet should have carriage of the Compact so it can influence other key departments to abide by the Compact's terms and commitments, and **recommendation 13.2** regarding the establishment of an Office for Not-For-Profit Sector Engagement within the Prime Minister's portfolio would support this.

10. Conclusion

In conclusion, The Benevolent Society commends the Productivity Commission's draft research report. The recommendations and broader discussion reflect a deep engagement with the contribution and concerns of NFP service providers in Australia.

¹ <http://www.bensoc.org.au/uploads/documents/submission-national-compact-consultation-paper-sep2009.pdf>