

Local Community Services Association and NSW Family Services Inc

The Contribution of the Not For Profit Sector

Response to the Productivity Commission Draft Research Report 2009



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1. Introduction

1.1 Local Community Services Association (LCSA)

The Local Community Services Association is the peak body for neighbourhood centres in New South Wales. LCSA was founded in 1974 to act as the representative coordinating body for neighbourhood centres. LCSA provides resources and communications networks for neighbourhood centres, advocates on issues affecting neighbourhood centres' communities and service users and represents neighbourhood centre interests to government. LCSA specialises in assisting its members with community management and community development strategies. LCSA is a member of the national Australian Neighbourhood House and Centre Association (ANHCA).

1.2 NSW Family Services Inc. (FamS)

NSW Family Services Inc. is the peak body for non Government Family Support Services in NSW. It was funded as a response to the needs of the rapidly growing Family Support sector in the 1970s. FamS provides its members with information, training, research and advocacy opportunities as well as representing their issues, and those of the families and children they support, to funders and Governments.

1.3 Processes for responding to the Draft Research Report

As an organisation which is committed to supporting local community participation in decision making and response, LCSA has sought the views of its member organisations in responding to the Draft Research Report. It has done this through a survey of responses to some of the key report recommendations affecting the sector and examination of the report by representatives of its 17 regions in NSW.

LCSA and FamS have sought the advice and comment on the chapters pertaining to evaluation from colleagues in the United States as the USA has had more experience of the use of impact frameworks than Australia.

LCSA's membership of ANHCA also gives it access to the responses of its collegial organisations in other states.

1.4 Framework for responding to the Draft Research Report

LCSA and FamS have framed this response around the sections of the Draft Recommendations in the Commission's report. The response does not attempt to give equal attention to each section but reflects the issues of most concern to our members.

2. Executive Summary

LCSA and FamS welcome the Draft Research Report and give qualified support to its findings and recommendations. Adoption of many of the recommendations would provide significant impetus toward the benefits of change outlined in the Report's Summary of Recommendations. LCSA and FamS would like to see a more extensive and rigorous discussion of evaluation frameworks before there is any finalising of "a common framework for measuring the contribution of the not-for-profit sector". The Report's Draft Measurement Framework has some benefits as an approach to measuring the contribution of the sector, but also some significant weaknesses.

3. Building a better knowledge base – Recommendations 5.1,5.2,5.3,5.4

3.1 Membership survey responses

There was strong (90%) support for the recommendations from the member survey tempered by some cautionary comments which reflect a frustrating history of failed or unproductive measurement attempts within the sector:

"I agree with measuring the contribution of the NGO sector however I do not agree with any further introductions of how yet again we need to introduce new measures and so forth. Most organisations which have remained in the sector have by now exhausted the measuring of their work. We have provided endless data, we have introduced RBAs, we keep monthly quarterly and yearly reports, all of this provided over and over to the relevant Gov Dep. Where has it gone? Is this whole overhaul of the community sector to make it easier on us or the Government?"

"I agree with a common framework in theory, but one that is evolving over time, so I am not so sure what this framework would look like, it would assist in measuring the effectiveness of services, but it should be a reflective practice to identify what works and why and how to build continuous improvement from this learning, Mark Friedman's Results Based Accountability does this."

"Many Universities are working on evaluation frameworks - this research should be aligned"

"Our service does not fit a one size fits all reporting format"

"I agree as long as the sector is appropriately resourced to do this - in terms of funding for hours needed - and with resources that are consistent across the sector - such as online data collection resources..."

"Evaluation should be resourced adequately as an enhancement to existing budgets and incorporate a mix of qualitative and quantitative indicators. It is very important to include cost effectiveness analysis in terms of the value derived for government and community verse funding provided by government and/or community"

"In implementing these evaluations, consideration needs to be made of the amount of time and work involved in undertaking the evaluations. They should also be useful, meaningful and effective evaluations, not tokenistic. Evaluation mechanisms need to be flexible to enable different services to show their point of difference in their service delivery."

"Outputs based reporting and the siloing of services has been disastrous for the sector."

"But it is not 'one size fits all' as different evaluation processes and contributions are made by different agencies. Qualitative and quantitative measures should be used. Emphasis on outcomes and impacts. The sector and participants must have more say than bureaucrats as they know what works and bureaucrats only measure what is easy for them."

"Needs to be streamlined so that it does not take time that could be used to provide services"

"I would not endorse performance evaluations that are time consuming. As it is, administrative tasks are increasing to the point where non-profits with small staff are struggling to do much else."

"I think we should use Mark Friedman's results based accountability framework and not develop a uniformly based performance evaluation, just think of the innovation that would evolve and learning resulting from using this tool"

"Reporting should not lead to a purely outcomes focused process where funding bodies decide the outcomes at the beginning and don't allow for community development approach where the process allows a mix of community determined outcomes"

"Largely agree, but the standard chart of accounts will need to have some flexibility to ensure that we can add in additional items to meet our own internal management and reporting needs. Rather than implementing a full detailed chart of accounts based on the QLD model - they could specify a limited number of standard header accounts (line items) that we need to report against (eg sum up all the various accounts related to salaries and on-costs into a single header account entitled "Salary and wages related costs"). Otherwise it would be very onerous to report against a detailed chart of accounts and probably not provide any useful information to funders. Also, please don't re-invent the wheel - we have implemented the QLD standard chart of accounts as this was the one adopted in NSW, we do not want to have to again change to something incompatible"

"As long as this is not used to implement unit costing for service provision. Services need flexibility in costing services eg: working with CALD clients, or working in rural areas may have higher unit cost than other costs. Gov needs to acknowledge that running an organisation to provide services costs money. Service delivery needs to be seen broadly, to include networking, systemic advocacy and community development."

"All data that is collected must be justified, and shown how it demonstrates outcomes."

"I agree that uniformity and simplicity are the key to reform."

"Data also needs to be able to be useful to the service."

"To have any relief from the compliance issues would be beneficial especially those State Depts that have not increased their funding through the years let alone for something like reporting and evaluation requirements."

"It should be a standard across all government departments to save time and resources."

3.2 LCSA and FamS response

LCSA and FamS support the principles presented in Recommendations 5.1, 5.2, 5.3, 5.4. However, LCSA and FamS would like to see:

- a stronger focus on nationwide community indicators in Recommendation 5.1
- a wider and more rigorous discussion of evaluation frameworks before a particular common framework for measuring the contribution of the not-for-profit sector is adopted.

3.3 A stronger focus on nationwide community results and indicators

A good framework will make a clear distinction between population and performance accountability. Recognition of this distinction and its importance is not made clear within the draft report. The proposed draft framework falls short of recognising the need for population wide results and indicators as the important measurement for the overall framework within which the not-for-profit sector makes its contribution. LCSA and FamS argue that the contribution of the not-for-profit sector as a whole can only be properly understood and evaluated within a whole of society framework which tracks desired social outcomes on a population wide basis. Accountability for population wide results using population indicators is wider than the not-for-profit sector, encompassing the sector, all levels of government, the business sector and the whole of society. However, a failure to measure and track progress toward desired population results over time using an agreed set of social indicators at the population level across all local government areas in Australia will prevent any realistic assessment of overall achievement. Tracking an agreed range of social indicators over time also prevents the bad policy outcomes of "kneejerk reaction" to the publicity given to single indicators taken out of context. LCSA supports the Declaration of the Australian Community Indicators Summit - **MEASURING THE PROGRESS OF AUSTRALIAN COMMUNITIES IN THE 21ST CENTURY** and would like to see the aims of this declaration better reflected in the recommendations of the Commission's Report.

3.4 A wider and more rigorous discussion of evaluation frameworks before a particular common framework for measuring the contribution of the not-for-profit sector is adopted

LCSA and FamS agree with the contention of Draft Recommendation 5.2 that a common framework should embody the principles of proportionality, transparency, robustness, flexibility and applicability. **A good framework is also simple, common sense, easy to use, uses minimal paper and is useful.** Without these characteristics an evaluation framework is likely to remain a theoretical exercise which becomes an academic and statistical playground with little use to or real engagement with the sector as a whole and particularly the practitioners who need to be on the cutting edge of data collection if it is to have any integrity.

There is universal recognition that the not-for-profit sector is a complex system with a complex relationship between service level outcomes and whole of population impacts. It is often falsely assumed that a complex system requires a complex evaluation framework. LCSA would contend that a complex system requires a sophisticated framework, but that such a framework need not be overly complex.

The not-for-profit sector recognises that the evaluation industry has its own imperatives, financial needs and agendas which trend toward advancing an ever more complex set of evaluation "solutions". Many of these potentially impose a cost on the sector in terms of time and financial resources which is disproportionate to the value of the work being evaluated. Moreover they often require the importation of external expertise and so remain external to the service provision rather than building the capacity of service providers and being integrated into planning and service quality improvement frameworks.

LCSA and FamS support the Commission's recognition that outputs, outcomes and impacts of services within the not-for-profit sector are wider than simple service outcomes and supports the measurement of outputs, outcomes and impacts relating to connection, influence and existence or community endowment.

LCSA and FamS believe the Commission should take a further look at the experience of the use of various evaluation systems in the USA. Our interaction with our colleagues in the USA indicates:

- The Commission's draft framework with its emphasis on impact mapping is very similar to the logic model being promoted by the United Way of America over the past decade. Many services have abandoned it because it is overly complex, time consuming and not useful to program managers.
- In addition to not making a clear distinction between population and performance accountability, some of the common problems with logic models include:
 - they start in the wrong place with means not ends, assuming the program you have is the program that is needed,
 - they restrict rather than expand innovation,
 - they assume client progress through a service is linear and desired outcomes can be clearly explicated
 - they consume a lot of time and paper
 - they are not useful to services and are often put on the shelf once completed
- In 2005, the Harvard Family Research Project's *Evaluation Exchange* (Volume XI, No., Summer, 2005) provided an overview of eight outcome models. Of these, only four – Logic Model, Outcome Funding Framework, Results Based Accountability and Targeted Outcomes of Programs – were appropriate for program planning and management. Results Based Accountability was the only model found to be well-suited for the variety of uses that are necessary for a comprehensive approach to: project planning and start-up; development of community report cards; program/agency improvement plans and budgets; grant making and evaluation design. This report found that Results Based Accountability has the following strengths:
 - it is a thorough system for planning community-change efforts and improvement in program, agency or system performance;
 - it uses lay language and provides a direct link to budgeting;
 - it is useful for integrating different outcome systems.

From the perspective of LCSA and FamS members, which are community based organisations, the introduction of any common measuring framework should be accomplished in a way which builds the

capacity of service providers to integrate service planning, evaluation, data collection and service quality improvement.

Adam Luecking from the Results Leadership Group has provided us with the following comments on section 5.2 of the Commission's report:

- "As opposed to evaluation, the Productivity Commission should focus on "performance management". Evaluation is generally retrospective in nature, while performance management focuses on using current data to take immediate action towards improvement. Collecting data is meaningless unless it is used at all levels of the organizations to foster improvement. Data does not need to be perfect, but it should tell how well the service is being delivered and whether or not clients are better off for having received the services."
- "Of the challenges noted in this section:
 - *Contributions can be difficult to measure*, but if focussed on data answering, "Is anyone better off from our service?" the data can be much easier to collect and quantify.
 - *Producing comparable results can be difficult*, but creating similar performance measures for similar programs can help. Once the standard performance measures are created, it will be important to always have "the story behind the data" displayed so as not to create unfair comparisons or assumptions.
 - *Measurement can be expensive*, but there are ways to create economies of scale if there is a standard set of tools and software systems for collecting and organizing data
 - *Require specialist skills*, so investments need to be made in capacity building and easy to use tools.
 - *Improperly applied, evaluation can lead to poor outcomes*, but properly applied performance management can lead to extraordinary results. As noted in Appendix B, referring to RBA's use by Illawarra Forum, RBA, like any framework, can be poorly applied which leads to confusion and unintended consequences."

4. Smarter regulation for the not-for-profit sector and Realising funding opportunities for the sector – Recommendations 6.1, 6.2, 6.3, 6.4, 7.1, 7.2, 7.3, 7.4

4.1 Membership survey responses

There was very strong (over 93%) support for these recommendations, including 100% support for recommendations 6.4 and 7.1. Comments in relation to recommendations 6.3, 7.1 and 7.2 included:

"The Australian Govt should follow the lead of the UK and be guided by the 2001 Charities Commission Inquiry recommendations that were never actioned by the Howard Govt. The current situation is untenable and grossly confusing and unfair especially for non religious NGO's."

"This is essential to ensure that services are able to work in preventative ways that build community capacity. The current rules skew service delivery towards crisis support that is not cost effective and may not deliver good outcomes for clients."

"This year (2009) we tried to gain DGR status as we were running a community kitchen, providing emergency food parcels but were knocked back because it was not the primary

function of the centre. Our local business help where they can but we cannot seek donations that are tax deductible from businesses or individuals because we are not DGR. We should all be DGR charities."

"Annual applications to the ATO re PBI or DGR are always refused for increasingly petty reasons (eg 87% of our clients assessed by the ATO as "from the most disadvantaged" and not 100%)."

"Equity and transparency are always desirable."

"Current situation is ludicrous and inequitable."

"I would imagine that a single national application process would reduce complexity of the current process."

"Without the ability to offer salary sacrifice hardly any of us can afford to stay in the sector - and there is a need for recognition that the corporate sector can benefit from donations to the sector."

"As long as guidelines are clear and there are no loopholes for multi-million dollar concerns that masquerade as non-profits."

"I agree with the proposal as long as there are accountability measures as described above for the tax concessions given. I think the tax payer would also want transparency and information as to how these agencies achieved the outcomes with funds."

"It should be consistent for all States - Migrant Resource Centres (MRCs) in NSW are not eligible for DRG status, just due to the name as MRC not their services and activities."

"The benefits to Government of allowing NGOs to access funding through DGR status outweigh the costs."

Comments in relation to recommendation 6.4 include:

"Streamlining processes is always helpful. It would be especially helpful if there was a checklist of which forms to use for what purpose. Currently ASIC issues hefty fines for not getting forms in on time, but without much information about what is required and under what circumstances."

"This is well overdue and international experience shows that such a strategy will be beneficial for the broader Australian community and to develop and promote the third sector."

"Would also be good to harmonise the State laws or remove refer State jurisdiction to the Commonwealth (as with corporate law)."

"As long as it does not introduce new levels of accountability and reporting therefore more work. It would need all states to agree, so that there was consistency."

"It appears this would make registration and the finding of paperwork a lot simpler."

4.2 LCSA and FamS response

LCSA and FamS support recommendations 6.1, 6.2, 6.3, 6.4, 7.1, 7.2, 7.3, 7.4 and notes their importance to achieving competitive neutrality across the not-for-profit sector, where organisations with a community strengthening, preventative practice are currently disadvantaged compared with those functioning within a crisis framework. The issues involved have been well articulated by the response to the Commission's report submitted by our colleagues from the Association of Neighbourhood Houses and Learning Centres (ANHLC) in Victoria. LCSA and FamS support the ANHLC response, particularly the recommendation that 'definition of a Public Benevolent Institution (PBI) should be amended to include the word 'prevention'.

It is time for Australia to progress beyond the archaic and paternalistic definition of charity which it inherited from the UK two centuries ago, especially when the UK itself has long since dispensed with that definition.

5. Facilitating innovation and sector development – Recommendations 9.1, 9.2, 9.3

5.1 LCSA and FamS response

LCSA and FamS support recommendations 9.1, 9.2, 9.3. LCSA and FamS are particularly committed to the resourcing of guidance and training on undertaking evaluations for their member organisations. Both organisations have a recent history of piloting the use of results based accountability within their member organisations and strongly recognise the value of front line service providers engaging with the evaluation process.

LCSA and FamS strongly hold the opinion that social innovation is not the sole domain of social enterprises and the proper encouragement of social enterprises should not limit government's focus in social innovation solely to the social enterprise sector.

6. Sustaining the not-for-profit workforce – Recommendations 10.1, 10.2, 10.3, 10.4

6.1 Membership survey responses

There was a very strong (over 97%) support for these recommendations. Members' responses to 10.2 included:

"This would certainly help to attract and keep well qualified staff!
Non-profits also need appropriate levels of funding for administrative costs such as accounts staff, telephone, stationery, rent, electricity costs etc."

"This is essential as we already experience problems with workforce capacity and it will only get worse if equal pay for equal work is not acknowledged and budgeted for."

"I think we all support that notion."

"Agree in full."

"I think small NGOs need funds to adequately pay market wages."

"There appears to be a shortage of skilled workers in the Child care sector. I have had one position vacant for months, and after spending over \$2,000 on advertising, I have not had one application."

"Parity with government conditions is essential to maintain professional sector."

"We have been losing trained staff to Govt organisations which pay more. Not-for-profit organisations spend very much time and effort in staff recruitment and staff training."

"Yes!"

"Consideration needs to be given to the needs of CALD workers - who may need additional time to complete written work. Agencies need flexibility in their staffing, so agencies who choose to can have better working conditions to attract better staff and pay more to staff working in difficult areas or with challenging client groups."

"We provide a valuable service to the community and should be appropriately funded."

Members' responses to 10.4 included:

"I agree totally and that third sector governance should be considered and remunerated as first and second is."

"I think that funds for governance support should be an ongoing expenditure item for NGO's. If we want community agencies that are able to address local needs without bureaucracy that inhibits innovation and local solutions, then we need to support these small agencies."

"This is always difficult because more and more, board members are also in full-time work. Our own experience is that they cannot attend many of the trainings available - and training in board meetings works well - as provided by LCSA Capacity Building project."

"There is a lot of training available. NFP management and boards need a support for when things go wrong, which they do occasionally even in the best organisations."

6.2 LCSA and FamS response

LCSA and FamS support recommendations 10.1, 10.2, 10.3, 10.4. LCSA and FamS both participate in the Steering Group of the Targeted Capacity Building Project auspiced by LCSA, which seeks, as part of its brief, to build governance capacity in community based organisations funded through NSW Community Services' Community Services Grants Program. The insights that have developed from the first year of this program include the priority of a catalysing and mentoring approach rather than traditional training. In exploring options for improving access to and quality of training in governance and related areas, governments would be well advised to examine the operating methodology of this program.

7. Improving the effectiveness of direct government funding – Recommendations 11.1, 11.2, 11.3, 11.4

7.1 Members survey

There was strong (over 94%) support for these recommendations. Comments included:

"If a service is not fully funded, the funding body should only expect the level of service delivery & reporting on that part of the service they fund; not reports and service agreements on the whole functioning of the non-profit organisation."

"It makes sense to fully fund the costs of third sector activities and build the infrastructure and assets and capacity bases of these NGO's."

"Agree that they should fully fund, but not sure about the qualification around "those services that the government would otherwise provide directly." Given that many social and community services have always been delivered by the NGO sector or have been transferred to the sector, this could potentially be seen as providing a rationale to narrow the scope of services that the government should fund. This would depend on what is considered "essential". A narrow interpretation could present barriers to fully funding innovative projects and those that are preventative, build community capacity etc. We would not want a situation where the government only fully funds services that replace government services - eg Job Services Australia agencies that have replaced the old CES."

"Who will decide what is part of the social safety net or not, and what is an entitlement. Who are eligible Australians - too easy to slip into a deserving poor system."

"Australian Government should recognise the services they are currently getting from the NGO sector and fund us properly (HACC services) for the savings we make by keeping vulnerable marginalised HACC Clients well and not in institutions. These are huge savings."

"Govt needs to stop using not-for-profits to fulfil its obligations without adequate remuneration or reward to those organisations who are usually struggling as it is."

"Funding should be kept as local as possible to ensure the support of the local community. I get very upset at the government contracts such as schools where they have to get supplies from large centres such as Sydney and thus make no contribution to the local economy."

"Some community centres could be seen by the Government as NON ESSENTIAL services and be closed where as the community, councils and other services in the area may see them as essential services. People often come to community centres for a non essential activity BUT when a crisis happens in their lives, they return seeking assistance and then it is an essential service we deliver to them."

"Unfortunately recent experience is that some government funders feel they have a right to be involved in staffing issues or meetings that they have no right to interfere with if they are only purchasing a particular service."

"What is requested now from third sector agencies would never be expected from corporate contractors. It needs to be drastically changed."

"Absolutely, small is beautiful and allows for greater transparency for the client and for the service. Currently, with competitive tendering and the huge administration burden placed on small stand alone services, we are very much disadvantaged in the process."

"Yes the delivery of the agreed outcome is the all important factor in this equation - all other red tape should be eliminated."

7.2 LCSA and FamS response

LCSA and FamS support the principles expressed in these recommendations but want to see more work done on some of the details before they could fully support the recommendations as they stand. Governments should certainly articulate clearly whether they are fully funding particular services and should certainly fully fund those services which they would otherwise provide directly. However, there is a concern that such a principle could slide into a practice of only funding those services which they would otherwise provide directly. The very nature of the community services sector and particularly locally based organisations which LCSA and FamS represent is that a combination of a rigid separation of activities and funding only being provided for time limited programs can rob organisations of the infrastructure and capacity to deliver those programs. In particular smaller organisations which do not have access to DGR and PBI status could be made very vulnerable if governments were solely to fund services which they would otherwise provide directly without any concomitant change in the charitable, PBI and DGR status of those organisations.

8. Removing impediments to better value government funded services – Recommendations 12.1, 12.2, 12.3, 12.4, 12.5, 12.6, 12.7

8.1 Member survey

Member responses to these recommendations indicated a strong (over 80%) but cautions support for the recommendations. Member responses to recommendation 12.1 included:

"This is a conditional agreement. It needs to be balanced with the non-profit's need to have long term stability with services for clients."

"Third sector agencies should drive the approach to engagement and service delivery and not the 'market'."

"There should not be an assumption in tendering that large organisations = efficiency. Ease of administration for government must not overshadow getting most responsive outcomes for communities and individuals."

"Agree with dot points 1 and 3. Dot point 2 would depend on how these conditions are defined. We also need to consider the criteria that are used to evaluate tenders - current approaches do not value the benefits in terms of effectiveness and indirect cost saving that are achieved through having good local knowledge and connection. What we really need is some good research on the costs and benefits of competitive tendering."

"Consideration of the geographic needs of areas - where and how people access services needs to be considered when looking at service establishment."

"Purchaser provider model discriminates against smaller and often more effective services. It doesn't take into account networks, local knowledge, expertise at the local level."

"Locals know their conditions, their special needs and their clients."

Member responses to 12.3 included:

"Although again, evidence is hard to collect, monitor and evaluate. Additionally, when you talk about value for money, it actually devalues the work that is done and devalues the person. We are that busy that if we were to measure each person's outcome on a case by case basis, we would be constantly pushing paper and not attending to people. Evidence is also an interesting concept, what we did today for a client can be all undone tomorrow due to life circumstances."

"Resources and research should be committed to build the evidence base for community development."

"As above - we really need to properly value the spill over benefits provided by having a harmonious service system that is not riven by competitive tendering."

"The cost of changing service provider also needs to be considered - removing a service from one agency, and another setting up the same service in the same area is costly."

"I only agree on value for money if genuine comparisons are made, and outcomes evaluated. Presently the cheapest is best, even when the cheap services don't provide services using professional and skilled staff and achieve long term outcomes."

"The full extent of our services should be recognised as we make a very worthwhile contribution to the local and therefore the government economy."

Member responses to 12.5 included:

"Organisations must be given security of core funding to enter rental contracts, for instance."

"Need to push funding horizons out beyond the 5 years – that is beyond the electoral cycle."

"Also should stop creating new projects with funding that can be serviced by an existing service or project, especially when those existing projects were often designed to fulfil a need, finished when funding runs out then a new fund created. Create projects with longevity in mind, even if at the end of that funding period the project is adapted."

"Yes this makes sense as the outcome is the important factor"

"As well as achieving outcomes by a specific time, we need to ensure also services like ours that are changing constantly to meet local needs have this reflected in the reporting and funding processes"

Member responses to 12.7 included:

"Not sure what you mean by pre-qualifying panels of service providers, but agree with a master agreement that will eliminate the need for verification on multiple occasions."

"This is too prescriptive. We may as well call our sector, the government sector."

"This could substantially benefit large NGOs to the detriment of smaller NGOs. If it was well managed and used appropriate criteria, locally based NGOs could do well, but I doubt the government would put the effort in to do this."

"Pre qualifying may exclude new and smaller agencies. Could result in the favouring of larger agencies. Master Agreements would need to acknowledge the different structures of all not for profit agencies."

"I think I agree with this if it streamlines the process but keeping in mind that all services have an independent and unique community need"

"Value for money is lost where organisations must spend a lot of time acquitting grants to several different funding bodies"

8.2 LCSA and FamS response

The range of member comments above indicates the sensitivity of this area for small community based organisations. Within the not-for-profit sector, small community based organisations have been the slowest to come to terms with the prevalence of purchaser provider models and competitive tendering. They have also been the most disadvantaged as tendering models have increasingly focussed on regional rather than local service provision, with the functioning of many lead agencies, particularly at point of contract renewal doing little to install faith in either the integrity or the effectiveness of the lead agency model.

LCSA and FamS therefore welcome the Commission's comment that "there should be no presumption that the purchaser-provider model will always be the most appropriate model", particularly as historically the sectors we represent have functioned very effectively under long term collaborative arrangements, which have given relatively small, community based services the flexibility to identify and respond to local need.

While LCSA and FamS recognise the government's need for models to facilitate service planning, both governments and the Productivity Commission need to recognise that in any sphere of endeavour models can only ever be tools that facilitate understanding and approximate reality. This is as true of economic models as it is of any other sphere of human activity. Models need to be treated as tools and not as articles of religious faith. This is particularly true in importing models of economic markets into a sphere of activity which exists at least in part because of the failure of markets to encompass the whole of human well being. In many areas in which not-for-profits operate, there is no true market, which is one reason why not-for-profit organisations operate in these areas in the first place. Any market based model is therefore an artificial construct which needs to be applied with extreme caution lest it adversely impact the real life situation of the clients for whom the not-for-profit services exist.

LCSA and FamS therefore argue that all models of engagement need to better recognise local realities and that any modelling which effectively denies local, community based services an opportunity to compete on a level playing field, needs to assess the long term social and economic consequences of rendering thousands of such organisations unviable.

LCSA and FamS strongly support actions which will streamline contracting, reporting and acquittal requirements and reduce compliance costs.

9. Building stronger, more effective relationships for the future – Recommendations 13.1, 13.2

9.1 LCSA and FamS response

LCSA and FamS support recommendations 13.1, 13.2.

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