



Illawarra Forum Inc

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The regional peak and resource organisation for community services in the Illawarra and Shoalhaven.

Response to Productivity Commission Report on the Contribution of the Not-for-Profit Sector

also cf: Initial Submission no. 52

In addition to comments made in our initial submission, the Illawarra Forum would like to submit further perspectives on the recommendations in the Commission's draft report. The body of the report is one of the most comprehensive discussions on the complexities of this sector to date and provides valuable information in itself to government and to not-for-profits. In examining the recommendations we aim particularly to highlight the impacts on small not-for-profits engaging in the provision of community services.

The relationship between evaluation and reporting accountabilities

Draft recommendation 5.2 and 5.3 Improving the comparability and usefulness of information collected.

Currently very few government funding programs' reporting requirements allow for submitting a service or project evaluation. Most require a report against achievements and financial reports. Qualitative information gathered by not-for-profits through evaluations are seldom requested by or submitted to government funding bodies.

Governments invest in small initiatives that contribute to social inclusion, such as events to build cultural understanding or groups that promote social interaction. Currently these report against criteria such as numbers attending or outcomes produced. It has to be recognised in any attempt to establish "a common measurement framework" that impacts may be subjective for service participants and may not fit into neat outcome measures. In our initial submission we highlighted research showing that a sense of belonging, respect, recognition and being valued are major factors in the success of services or projects for the service participants. These factors have long-term impacts based on processes and relationships rather than the specific service type being delivered. For example a multicultural women's choir can have significant impacts for participants in lowering depression rates, even though it is not funded as a 'service' within the health framework. Evaluations can

delve into the factors that contribute to impacts whereas reporting, as currently constructed, measures only those outputs and outcomes related to the service contract.

Recommendations 5.2 and 5.3 could be enhanced by

- including a statement on the appropriateness of endorsing simple evaluations by service participants as being the main reporting requirement for small initiatives.
- re-thinking the use of the terminology 'common measurement framework' and replacing it with 'common measurement principles'. This would signal the depth of variety needed in measurement in the not-for-profit sector to reflect the diversity of services delivered as well as the broader contributions to individual and community well being.

The Standard Chart of Accounts

Recommendation 6.2 Reducing unnecessary compliance costs

In light of the proposals for more widespread use of evaluation, it will be necessary to ensure that the Standard Chart of Accounts includes line items for the cost of evaluation. The costs of managing programs also needs to be transparently reflected in the Standard Chart of Accounts. Following from this, agreement needs to be reached across all government funding agencies that these are allowable costs to include in tenders and in financial reporting. Currently there are many government grants and reporting forms that do not allow these costs to be either included in the funding submission or in the financial reporting.

Sector development and the not-for-profit workforce

Recommendations s 9.3 Supporting Sector Development

This recommendation centres on expansion of Federal, State and Local government initiatives to include the not-for-profit sector. Smaller not-for-profit agencies operating community services have specific needs around 'business' support that differ from small for profit businesses. This recommendation appears to overlook the considerable skill, knowledge and infrastructure already existing in the not-for-profit sector that needs to contribute to the development of 'business support' proposals. The unique characteristics of community management have to be understood and the support provided appropriately tailored.

It seems inconsistent that in a report that values the contributions of the not-for-profit sector that the supports proposed rely only on government and business models. The not-for-profit sector itself could develop appropriate services for this business style support, taking the learnings from the business assistance models itemised and adding the in-depth knowledge needed to translate them into a different operating environment. Such support mechanisms are needed across community service organisations not solely for those identifying as social enterprises.

Across Australia we now have Regional Development Australia boards that focus on economic and social development initiatives in their regions. The Productivity Commission's report shows that not-for-profits are major contributors to employment and economic activity and this is significant for many regions. Partnerships between these RDA boards and the relevant peak not-for-profit organisations in the regions could be instrumental in developing the appropriate business support mechanisms for the region's not-for-profits.

This regional perspective is important due the great variation in services and community sector infrastructure between regions. For many regions it is economically significant for the community service providers to have their administrative and central office functions located in that region. This adds to the employment available in the region and means that the government investment in service delivery in a region is spent within that region. As regional recovery from recession or recession-like incidences is slower than in capital cities, there is a need currently to ensure that the not-for-profit businesses in regions are supported to remain viable and grow.

Recommendations 10.2, 10.3 addressing current and longer term workforce shortages in community services

We strongly support these recommendations as addressing the two key factors of wage levels and workforce planning. Other issues could be included in the recommendations such as:

- a system for portability of employee entitlements across not-for-profit agencies
- inclusion in the 'business support' mechanism (discussed above) of assistance to organisations to establish career development plans and training plans within organisations and to develop the human resources knowledge in organisations.

Community management

Recommendation 10.4 *Building governance capabilities*

The Illawarra Forum currently provides a range of programs using a diversity of learning styles for community management committees. We agree that more investment is needed in training on governance and related areas. We'd also like to reflect from our experience in this field that reducing the complexity of regulation will reduce the burden on management committees.

Volunteering

The draft report highlights the significant contributions of volunteers to this sector, both through voluntary management and service delivery. The list of recommendations fails to draw out specific actions that can better support volunteering in Australia. Recommendation 10.1 proposing Working with Vulnerable People Checks does assist with compliance costs. However, we would support a recommendation to formalise the meeting of volunteers' out of pocket expenses by not-for-profits and for this to be factored into the true cost of 'purchasing a service' by governments.

State based incorporation of associations

Following from recommendation 6.1, the Commission seeks comment on whether state / territory based incorporation of associations should be restricted to not-for-profits of less than \$150,000 income p.a.

The obvious difficulty with this is that governments frequently offer grants programs that can only be implemented for one or two years. This means that the income levels for community service organisations fluctuate considerably from year to year. Putting this criteria on how organisations incorporate will cause considerable uncertainty amongst smaller organisations.

Thank you for considering these comments,

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