

# CTC CONSULTING – CONTRIBUTION OF NFP SECTOR

Construction | Distribution | Manufacturing | Transport | 3<sup>rd</sup> Sector | Health

Ref	Issue	Proposed Response	CTC Comments and Recommendations
1	Smarter Regulation	1 Stop Shop	Strongly Support – effect will be to reduce cost of compliance particularly for national actors and free funds for provision of service. Standardisation of compliance reporting will drive efficiency back into NFP providers. Careful consideration will be required to develop tiered services and compliance measures to take account of the needs of local, state and national actors to avoid over burdening local actors with national compliance and reporting requirements for example. Direct engagement with representatives from all tiers of the NFP sector needs to be employed to achieve a sound outcome in this area.
2		Simpler Tax Endorsement	Strongly Support – this will significantly reduce compliance costs, improve efficiency and provide more consistent taxation treatment at local, state and national level. Will likely have effect of reducing cost of tax collection allowing efficiencies within both the proposed NFP Nation Registrar and ATO.
3		Fund Raising Legislation	Strongly Support – This is a significant issue for NFP actors involved in fund raising particularly at a National level. Variation in regulation has the added effect of confusing donors and can negatively impact the reputation of the Sector in some cases. Cost of compliance, administration, staff training and reputation will be significantly improved for all NFP actors with harmonisation of fund raising legislation. The “fast track” recommendation is welcome.
4		New Legal Forms	Support – this is an issue for multi-jurisdiction actors in the main. Improvement in this areas need to focus on easy migration of existing legal forms in the first instance The impact on productivity and anti-competitive opportunity in NFP Sector commercial activities would need to be carefully considered to avoid any unintended commercial practice emerging . Suggest that new legal forms be considered once migration of existing forms was addressed to enable more immediate reform in this area.

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5	Building Knowledge	National Data	Strongly Support – satellite accounts, while a step in the right direction, don't always provide meaningful segmentation or sufficient detail to enable NFP Actors to plan, deliver and assess effective and efficient service delivery. This data forms a key input into the situation analysis processes that NFP actors need to complete to develop their Strategic Plans. Improvements in this data will do much to improve service development and delivery and act as to inform the policy development process. Data with sufficient detail is essential and could be achieved simply through improved segmentation within the current Satellite Account segment definitions and by increasing the sample space upon which the current Satellites are based.
6		Evidence Base	Strongly Support – with the proviso that due account be taken of the local, state and national character of NFP actors. For example the performance criteria used to evaluate a local service providers would likely be a subset of those used to evaluate a National players. Standard reporting is critical to collecting data in a form that allows ready analysis and comparison.
7		Dissemination	Support – This is effectively a National benchmarking activity. While this will become important in time, the Sector will likely have more success in improving a few key areas initially. Once this is done bench marking can commence. Early moves to implement data sharing and bench marking may slow the NFP Sector reform process by moving focus from some of the more more critical building blocks such as establishing a Ministerial Portfolio, a National Regulator, harmonising and simplifying the rules of engagement and collecting some accurate data of sufficient detail to make good policy and allow NFPs to develop their game plans to run effective organisations that deliver good quality service demanded by the public.

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8	Sector Development	Assess to Capital	Further Examination Required – Investors expect a commercial return at worst and a commercial return with social benefit at least. This group has limited interest in NFP investments as they generally offer unfavourable return for the risk involved. We suggest policy makers identify those NFP classes that are likely to more efficiently and effectively provide social services than their Public or Private Sector cousins. Next decide who best owns and funds the assets required for service delivery. Then fund these NFPs under a performance based model where value is on clearly offer. This results in lowest cost asset procurement and provides the funds necessary at lowest cost and enable NFPs to build adequate collateral and secure an income stream to gain access to capital if NFP asset ownership makes sense. An example of an effective performance based funding partnership is the contract for provision of Helicopter Emergency Medical Services (HEMS) awarded to the Westpac Rescue Helicopter Services in Hunter, New England North West (WRHS) by the Ambulance Service NSW (AS NSW). It is worth noting that the sector does comprise approximately 600,000 participants and growing so capital is likely available to those who have developed effective and efficient practises to compile accounts and business plans to make a worthy funding case. Many volunteers have the necessary competency and experience to help develop Business Plans and provide advise on the compiling accounts.
9		Philanthropy and Giving	Support – Philanthropic giving is relatively low because the current environment in Australia is not supportive of high levels of giving. Adjustment of incentives is required to address this issue. This observation extends beyond simple taxation incentives for example Philanthropic Trusts generate funds for dispersal from their annuity streams. This important that ATO regulations as regards dispersal percentages ensure that principles sums are not eroded to the extent that projected annuity streams are jeopardised.

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10		Evaluation and Governance	Further examination required – NFPs could view increasing Public and Private sector demands for performance and accountability as either a stimulus for improvement in service quality and cost of delivery or as a threat. The response to this stimulation depends in large measure on the capability and determination of the Boards, Governing Bodies and Management of these organisations. Excellent examples abound of NFP's that rise to this challenge and lift their performance. Accordingly. This NFP Sector study has identified many external factors that impede NFP Sector effectiveness and efficiency and makes substantive improvement recommendations. It is equally important to recognise that there may be internal issues that could impede the performance of individual NFP's. While Public Sector provision of back of house support and education programs will help most organisations these could be made available subject to an NFP meeting basic criteria such as experience of Board, Governing Body and Management, demonstrated demand for service offered, demonstrated ability to provide services on offer and basic plan to move the organisation forward. If these building blocks are in evidence, Public Sector efforts to improve the organisation are more likely to result in improvement in services quality and cost of delivery and sustainability of the NFP concerned.
11		Paid Workforce	Strongly support – Selection of an NFP provider is generally based on a value proposition centred on the notion that this NFP offers a superior service. If this is so then funding needs to reflect the value provided. NSW Health for example places open tenders for provision of some services encouraging both NFP and Private Sector providers to tender. RFT documentation in some cases bases selection criteria 40% on tender price and 60% on service quality and features. The Public sector was prepared to pay the market price for the service on offer and NFP respondent had the option to discount the price or not. This works well.

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12		And Volunteers	Strongly support – cost of training volunteers to comply with matters relating to Fund Raising and Occupational Health and Safety are also a significant compliance cost. Harmonisation and simplification across jurisdictions will significantly reduce cost for National, State and Local NFPs alike.
13	Social Investment	Social Innovation	Support – the NFP Sector is significant in size and provides significant community benefits both directly and indirectly. It makes sense to invest in and continuously improve this key Sector. We suggest that investment extend to Public, NFP Sector and Private organisations as innovative ability is broadly spread. Initiatives to encourage collaboration with the NFP Sector and between Public and Private Sectors will also likely be beneficial
14	Government Funding	Funding Obligations	Strongly Support – an example to demonstrate the benefits of this approach is the tender that has been awarded by AS NSW to WRHS. Funding obligations were clearly described in the lead up to development of the RFT, in the RFT and enshrined in the resulting contract documentation. Reporting criteria (KPIs if you will) and reporting frequency were also clearly defined at RFT and Contract stage. AS NSW and WRHS conduct periodic performance reviews and a formal annual review to ensure expectations of both provider and customer are met at all times. CTC recommends that this contract, its principles and the resulting performance that has emerged be adopted as an input into formulation of a National set of principles for Public and NFP Sector interaction, funding and service provision.
15		Compliance	Support – this speaks of a general lack of understanding within Public Sector of risk and operational performance of NFPs. This can be addressed by completing risk assessment prior to developing the grant criteria so that risk elements are identified and rated by probability of occurrence and impact, should they occur.

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16	Impediments	Right Model	Support – there are a range of models available that are based on exchange of service for both commercial and non dollar benefit. Selection of a model that supports the best exchange outcome is appropriate.
17		Purchaser-Provider Process	Strongly Support – see response at point 11 which refers to the purchaser provider processes, performance based contract and performance under contract determined in robust and equal measure between AS NSW and WRHS as a strong example in point.
18		Sharing Risk	Strongly Support – this observation highlights inadequate risk assessment processes employed, accompanied by a lack of transparency in sharing the results of the risk assessment process with potential service providers, NFP or otherwise. As an aside this critique could be equally levelled at development of some Public Sector contracts for provision of Private Sector Services. The root cause in this case is most likely addressed by implementation of transparent risk assessment processes in Public Sector Departments exhibiting this behaviour and completing competency based training to these processes in these areas. Departments that would benefit from these actions are readily identified by review a randomly selected contracts with both NFP and Private Sector providers as inappropriate allocation of risk is likely to stem from the same under developed competency set and deficient risk assessment and sharing process.
19	Strong Relationships		Strongly Support – THIS IS AN ABSOLUTE MUST AND SHOULD BE TOP OF LIST – PLEASE EXCUSE OUR USE OF CAPITALS THIS IS A BIGGIE!

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