



Contribution of the not-for-profit sector: Response to the Productivity Commission's draft report

Priority issues for disability service organisations

- **Improving the effectiveness of direct government funding**

A sustainable disability service system is essential to support people with significant disability to have choice in their lives: to decide what they will do, when, how and with whom they will do it. This requires adequate funding levels—that reflect the actual costs of service delivery—for those services the sector delivers on behalf of governments.

NDS welcomes the four draft recommendations (11.1; 11.2; 11.3; 11.4) proposed for improving the effectiveness of direct government funding. If adopted, these recommendations would transform the relationship between non-government disability organisations and Australian governments and go a long way towards ensuring the sector's sustainability into the future.

Services deemed to be essential should be explicitly identified and fully funded by governments. Disability support services broadly would fall into this category. It is reasonable that other (non-essential) services could be identified as important or desirable and governments could make a transparent proportional contribution. This funding principle should be adopted by all Australian governments as a priority.

An independent process for establishing the cost of new or significantly changed services or activities would be welcomed by disability service providers, as would a commitment that service agreements and contracts contain a provision for reasonable compensation should changes in government policy affect the delivery of the contracted service.

Not-for-profit organisations value their independence; the potential for governments to impinge on this independence must be minimised. NDS therefore supports the recommendation that within service agreements, contracts or grant conditions the ability of governments to impose conditions should not extend beyond those essential for the delivery of agreed funding outcomes. Adoption of this recommendation would require a major overhaul of many contracts for disability services, not least those for the provision of Disability Employment Services. The contracts for these services demonstrate the problems—they are lengthy, and

complex, and place almost all power in the hands of the Government. Reform is urgently needed.

- **Removing impediments to better value government funded services**

Over the past decade or so, disability service providers have experienced contracts for service delivery that are increasingly prescriptive, despite departments giving lip service to the value of flexibility and client-centredness. This trend is exacerbated by the absence of negotiation—governments, by and large, present contracts to the sector to be signed. These contracts generally pay excessive attention to processes and inputs; less attention is paid to outputs and outcomes. Government contracts have become so highly prescriptive they can result in the not for profit sector being perceived as an arm of government. This blurring of the boundaries is concerning.

Also concerning are contractual arrangements which allow little capacity for piloting new approaches or minimise the scope organisations have for 'value adding'. This constrains the development of improved service outcomes for people with disability.

NDS therefore welcomes the attention given to 'getting the model of engagement right' within the draft report and supports the recommendations. The disability sector would agree that purchaser-provider models should only be used in some circumstances and that more attention should be given to developing non-market-based alternatives.

Recommendation 12.1 makes reference to the possible increased usage of client-directed service delivery models. While NDS supports the values of consumer choice and empowerment that underpin these models, the models are not risk-free for individuals with disability or for service providers. Greater analysis of these risks and the identification of strategies for mitigating them are urgently required. People with disability will be best supported by being able to choose from a range of providers which are sustainable and offer high quality services. Without care, a demand-driven system may: place downward pressure on the wages of an already low-paid workforce; drive up the costs of administration (through increased financial accountability and reporting); diminish community development work; undermine quality; and threaten the financial viability of providers. Good outcomes for people with disability would be threatened.

NDS would, therefore, like greater attention be given to the structural issues that need to be managed to ensure an extension of client-driven services does not undermine the quality of support available for people with disability.

The recommendations for improving management of contracts and appropriate sharing of risk are supported by NDS. The development of risk management frameworks—by government in consultation with providers—would allow for negotiation of risk allocation and management protocols at the time agreements or contracts were being made. The sector would benefit from this approach.

The sector would also benefit from initiatives to streamline tendering, contracting and reporting requirements.

Other comments

- **Building a better knowledge base**

Disability service planning and service delivery depend on improved information and data.

Recommendations for the development of an Information Development Plan and a common framework for measuring the contribution of the sector are supported. NDS would, however, like to see robust and regular methods of measuring unmet and under-met need for services incorporated to ensure we 'build a better knowledge base'.

Information on the current need for disability services across Australia is generally inadequate, and information on future need is even poorer. And measurements of need often ignore the people who only receive part of the support they require. The inclusion of people with significant disability in our communities depends on the adequacy of provision of support services.

NDS supports the recommendation to minimise compliance costs and maximise the value of the data collected, as is that for the establishment of a Centre for Community Service Effectiveness.

- **Smarter regulation of the not-for-profit sector**

Disability service providers operate in complex regulatory and financial environments and would welcome initiatives to streamline and simplify regulation. NDS, therefore, believes the establishment of a Commonwealth incorporated associations legal structure has merit, particularly for those incorporated associations which operate across state/territory boundaries.

While NDS acknowledges that rules are necessary to ensure accountability, layers of complex rules are counter-productive and generate inefficiencies. Excessive regulation also diverts resources from direct service delivery to administration. NDS, therefore, supports Recommendation 6.2. Standardisation of fundraising legislation, the adoption by all governments of a Standard Chart of Accounts, and including not-for-profit organisations in the Standard Business Reporting initiative should all assist in reducing compliance costs across the sector.

NDS supports the adoption of a statutory definition of charitable purposes in accordance with the recommendations of the 2001 Inquiry into the definition of charities and other organisations.

NDS sees merit in the establishment of a one-stop shop for Commonwealth regulation and has a preference for such a function to be located in a new division of the Australian Securities and Investments Commission.

- **Realising funding opportunities for the sector**

NDS's interest in the tax system is, simply, to maximise opportunities for people with disability to have a decent life. The current taxation arrangements which assist disability service organisations to maximise their charitable purpose (including having the workforce necessary to provide services) need to be reaffirmed. Any surpluses that may be generated by NDS members are used to support people with disability; they are ultimately expended as additional services.

NDS considers the tax exemptions and other concessions provided to not-for-profit organisations, charities and Deductible Gift Recipients to be appropriate and not a cost to Government revenues. Suggestion that the tax concessions that assist in the generation of surpluses should be measured in terms of 'a cost to government' is inappropriate and a misrepresentation of reality. These surpluses support the provision of services that would otherwise need to be directly funded by governments.

NDS supports Recommendations 7.1 and 7.3, the simplification of processes to receive tax status endorsement and the exploration of options to promote and support planned giving. In relation to Recommendation 7.2, NDS acknowledges that while the Government may need to broaden the availability of some tax concessions to other types of not-for-profit organisations, it is critically important that disability organisations are not disadvantaged by any proposed changes.

NDS affirms the need to facilitate the not-for-profit sector's access to capital. As Professor Mark Lyons et al wrote in a research paper for the National Roundtable of Nonprofit Organisations:

In areas of social assistance such as child welfare, women's or youth refuges and disability services, there is ... great frustration about the difficulties of obtaining capital. For some, particularly in the disability services field, there is a huge unmet need for capital to massively expand the provision of group homes. Because these require specialist fittings for many of their residents, they must be purpose built or obtained on a long term lease and renovated. Many others, providing vocational programs, day programs and the like are unable to access the small amounts of capital needed to operate efficiently and safely, such as renewing IT systems, or replacing an ageing bus. State government support is available, but it is grossly inadequate. The problem is particularly acute for disability services, especially for the provision of accommodation.

Recommendation 7.4—to explore obstacles to not-for-profits raising capital—is, therefore, supported.

- **Facilitating social innovation and sector development**

The not-for-profit sector seeks to improve the services on offer to the community (particularly those provided to some of the most disadvantaged members of the community) but is often limited by the lack of funding or by the restrictions of service agreements or contracts. Under these conditions flexibility is constrained and

innovation is limited. The not-for-profit sector would benefit from initiatives to support the development of improved service responses.

The Cooperative Research Centres program—used within the business sector to bring researchers and research users together—has stood the test of time. Companies still vigorously compete to participate and receive funding. The model should be assessed to determine its usefulness to the not-for-profit sector.

Comprehensive evaluation of programs is an under-developed skill in not-for-profit organisations. Building capacity for evaluation (and the understanding of its importance) is needed. Recommendation 9.2 is, therefore, supported. Also needed, however, are improved mechanisms for the dissemination of research findings to the sector.

Opening government business support programs—that assist small and medium sized enterprises—to not-for-profit organisations engaging in social enterprise activities is also supported.

- **Sustaining the not-for-profit workforce**

In recent years, workforce shortages in the disability services sector reached critical levels; as the economy recovers from the recent downturn these shortages will return.

NDS is pleased that the Government has begun work on the development of a National Workforce Strategy. To improve the ability of service providers to attract and retain staff the Workforce Strategy must address:

- the low public profile of disability services as a career option;
- the perception that the work is unskilled;
- the low funding/low wage environment within which the sector operates (exacerbated by indexation rates which have not kept pace with general wage adjustments); and
- the lack of national workforce data to inform planning.

While the economic downturn has temporarily lessened the pressure of workforce shortages, there are structural issues which will result in significant workforce shortages into the future. The disability sector will need to find ways of managing this if it is to be well-equipped to respond to future demand.

Future workforce shortages will change the way disability support services are organised. While greater attention on client-directed services will encourage a move to a greater use of one-on-one support, workforce shortages are likely to push in the opposite direction (to group-based support). The relative impact of each of these trends is difficult to predict.

NDS is particularly pleased to see Recommendation 10.2, which would see Australian governments purchase community services with funding based on relevant market wages for equivalent positions (and be indexed to the relevant market wage growth).

While the other recommendations to 'sustain the not-for-profit workforce' are worthy, they are unlikely to result in major changes to the availability and skill levels of workers in the community sector. Further consideration of the workforce challenges facing the community sector is needed.

The Commission invites comments on the costs and potential benefits of implementing a portable long service leave scheme for the not-for-profit community services sector. In response to interest in such schemes by a number of state and territory governments, NDS has developed a (draft) position statement for consideration by its Board. The draft statement is included in the Appendix.

- **Building stronger, more effective relationships for the future**

NDS supports the Government's decision to proceed with the development of a national compact, even though the diversity of the not-for-profit sector will make its operation challenging. Building improved relationships is important to the effective functioning of both the Government and the sector, particularly those parts of the sector which have contracts with government.

The benefits of a compact could include providing a platform for:

- raising the profile of the not-for-profit sector and thereby helping to attract more people as employees and volunteers;
- developing a more efficient, less cumbersome regulatory regime, which would allow more of a community service organisation's resources to be directed away from compliance and towards the provision of support services;
- identifying impediments to the effective functioning of not-for-profit organisations; and
- highlighting that while community service organisations may deliver services on behalf of government, they are not service delivery arms of government; they have their own missions and stakeholders.

NDS welcomes the recommendation that compacts between governments and the sector must be supported by well-documented plans of action and by relevant practical measures including monitoring and evaluation.

As it is essential that the compact has the engagement of the Australian Government at the highest level, NDS supports the recommendation that an Office for Not-for-Profit Sector Engagement be established within the Prime Minister's portfolio.

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About National Disability Services

National Disability Services is the peak industry body for non-government disability services. Its purpose is to promote and advance services for people with disability. Its Australia-wide membership includes more than 650 not-for-profit organisations, which support people with all forms of disability. Its members collectively provide the full range of disability services—from accommodation support, respite and therapy to community access and employment. NDS provides information and networking opportunities to its members and policy advice to State, Territory and Federal governments.