



# **Berry Street Response to the Productivity Commission Draft Research Report – Contribution of the Not-for-Profit Sector**

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this submission  
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## 1. General Comments

Berry Street provided a detailed submission to the Commission's review of the contribution of the Not-for-Profit Sector (the sector). We also participated in previous review processes including the 1995 Industry Commission report into Charitable Organisations and the 2001 Inquiry into the definition of charitable organisations.

We support the overall direction and strategies outlined in the Commission's draft report. It is imperative that implementing recommendations from the current and previous reviews proceed as a matter of some urgency. This current report needs to do what earlier reports have failed to do - generate identifiable and sustainable reform.

We understand the specific nature of the Inquiry's terms of reference focused on aspects of the contribution of the Not-for-Profit sector and how it could be measured. However, it is our view that the draft report does not communicate adequately that the sector is what transforms social inclusion from a mere concept to a reality for hundreds of thousands of Australians on a daily basis. In short, the report lacks a human dimension and to that extent undersells the contribution of the sector.

Berry Street supports in principle the proposed establishment of an Office for Not-for-Profit Sector Engagement within the Prime Minister's portfolio.

However, the proposed title and focus of the office, Not-for-Profit Sector Engagement, suggests a somewhat limited agenda. Berry Street recommends that the focus of the office include the development and sustainability of the sector and that the title reflects this focus. This would align the role of the Office more closely with the ambition of the sector; i.e. to grow, develop and sustain the capacity of the Not-for-Profit sector to respond to challenges within the Australian community. Some of these challenges include: the ageing population; disparity in life outcomes for Indigenous Australians; and the alarming number of children affected by poverty, neglect and abuse. This would place the role of the sector and the role of the Office where they belong - focused on the well being of the Australian community.

Being mindful that much of the required regulatory and government contracting reforms relate to the State, Territory and local levels of government, Berry Street believes that the proposed Office must have:

- strong linkages to the Council of Australian Governments (COAG);
- capacity to influence and change regulatory and contracting arrangements at all levels of government; and
- authority to report on implementation of this current Inquiry's recommendations.

Below we have commented on particular areas covered in our original submission which have not been adequately addressed in the draft report.

Following that, we have provided comments on particular recommendations which we believe require some amendment.

All other recommendations we are happy to support as currently expressed.

## 2. Points from Berry Street submission not fully addressed in draft report

### 2.1 *Workforce Development*

- There has been much emphasis by the Federal Government on workforce strategy, but this has been confined to particular sectors. The Federal Government has a role in raising the profile of the community sector and exploring means of investing in it, as it has done with other sectors, to support the development of a vibrant sustainable workforce. [Berry Street Submission page 3]
- Service delivery in rural regional Victoria is hindered by the lack of qualified paid workers. Berry Street has struggled in particular to recruit specialists in regional Victoria. There is a need to support rural education providers to create more course places and incentives to encourage graduates to practice in rural-regional locations. The Federal Government could also develop a strategy in consultation with the States/Territories to enable professionals to relocate themselves and their families, e.g. through a reduced tax rate or a flat rate relocation/rural allowance. [Berry Street Submission page 3]

### 2.2 *Costs involved in developing and sustaining partnerships*

Partnerships can add enormously to the value of a service and its outcomes. However, funding and contractual arrangements typically do not recognise the significant cost to community sector organisations of establishing and maintaining these [Berry Street Submission page 5]

### 2.3 *Funding agencies to meet increasing regulatory costs*

All Government funding should include provision to implement quality assurance and compliance measures. The real costs of implementing quality improvement also need to be negotiated between Government and CSOs before being established and new initiatives commenced.

### 2.4 *Evaluation*

The draft report recommendations in relation to evaluation miss some of the most critical issues and seem based on the assumption that the sector lacks either the commitment or the capability to undertake appropriate service evaluations.

In our experience, the more pertinent issues are that:

- many government funded programs provide no funds for evaluation;
- tender specifications often exclude evaluation from the required or allowable funded activities;
- many government programs operate without a clear program logic to which tender proposals can respond and then be assessed against.

In our original submission we made the point that a major factor impeding the spread of knowledge was that funding contracts do not factor in the costs of conducting evaluations, data collection that supports evaluation and compliance with external quality frameworks. (see below)

### **3. What factors are impeding the spread of knowledge among Australian not-for-profit organisations regarding how well they deliver their outcomes and key drivers of their efficiency and effectiveness in doing so**

#### **3.1 *Building a better knowledge base - Draft Recommendations 5.3 & 5.4***

One critical factor is the challenge of undertaking evaluation in-house or purchasing evaluation expertise, developing information management systems that allow for practical data collection and analysis against these indicators, and enabling meaningful consumer participation in evaluation or practice research, when government funding contracts typically do not cost in these components.

Berry Street notes that recommendation 5.4 focuses on the establishment of a *Centre for Community Service Effectiveness* to promote best practice approaches to evaluation.

We strongly believe this recommendation is too limited and fails to address systemic issues that act as a barrier to the sector carrying out appropriate service and program evaluations. These include the absence of clear program logic within many government programs, a lack of funds for services to carry out evaluations and a lack of attention to the dissemination of learning.

We also note that the draft report provides a summary of recommendations on page LX and includes under the heading, 'Building a better evidence base for social policy', recommendations that the Australian Government endorse a common measuring and evaluation framework, that reporting and evaluation processes align with this framework and that '*Government should fund the reporting and evaluation it requires of NFP's*' (*emphasis added*).

However, these recommendations and the heading 'Building a better evidence base for social policy' do not appear amongst the list of draft recommendations on page XLVIII. This is a serious omission and needs to be rectified by the specific inclusion of recommendations under the heading 'Building a better evidence base for social policy'.

Berry Street advocates that recommendations listed on page LX be included in the final recommendations. Further we suggest that they be amended to require, not just that governments fund Not-for-Profits for evaluation where governments require evaluation, but that all government programs must include a component for evaluation and require all funded NFP's to utilise these funds for evaluation.

#### **3.2 *Providing for appropriate legal reforms [Draft recommendation 6.1]***

Berry Street is opposed to the recommendation that State and Territory Incorporation of Associations be restricted to Not-for-Profits with income less than \$150,000 per annum. This would be an artificial imposition and unnecessary restriction on the legal options for incorporation.

Berry Street supports providing an option for the Incorporation of Associations at the Commonwealth level.

#### **3.3 *Lowering Costs for Volunteers [Draft recommendation 10.1]***

Berry Street would support the establishment of a single 'working with vulnerable people check' only on the basis that it replaces, without significantly changing, the existing Working With Children Check required in Victoria (and other jurisdictions) and Criminal Records Checks. Having a single portable check that has the rigour of existing Working With Children Checks, can be obtained at similar or less cost in a similar or shorter timeframe and is recognised nationally, would be of benefit to agencies and their volunteers.

### **3.4 *Providing clarity over funding obligations [draft recommendations 11.1; 11.2 and 11.3]***

Berry Street strongly supports these recommendations and, in particular, the need for governments to fully fund those services that they would otherwise be providing directly. Funding needs to be transparent and take account of the workforce requirements of the sector outlined in recommendation 10.2.

In relation to implementation, the issue of whether a funded activity is considered essential as part of the social safety net or an entitlement for eligible Australians, is a critical question. In our view the answer to the question may also differ for different population groups or communities. For instance the provision of childcare by the Commonwealth is not currently an area where the Commonwealth fully funds this type of service provision. Rather, it provides some financial assistance direct to families through child care benefit and the child care rebate. This arrangement sees the parent or guardian of children as the client of the service with the primary purpose of funding (the program logic) focused on supporting parental workforce participation. In some communities however, including some Indigenous communities, the Commonwealth will fully fund childcare provision and sees the children as the primary client with the primary purpose of funding (the program logic) linked to promoting children's development. Both these arrangements exist within the broader Commonwealth child care program.

Berry Street strongly endorses recommendation 11.3, but believes it must be extended to recognise that at times the additional requirements imposed on service providers emanate from areas of government separate to the government funding body. Privacy legislation is an example where increasing demands and associated costs are being imposed on agencies with no additional funding for areas such as management of client records. Other areas include licensing and accreditation requirements, national standards for out-of-home care and changes in industrial awards and conditions.

The recommendation should not be limited to situations where the particular funding body has made a change but should recognise that agencies are bound by law, and by standard contract requirements that they must at all times adhere to all applicable Commonwealth and State legislation. Where those changes impose additional costs funding bodies must recognise them and increase funding accordingly.

### **3.5 *Removing Impediments to better value government funded services [Draft recommendation 12.2]***

Consistent with our comments above, Berry Street would highlight that market-based approaches may not be feasible or appropriate for particular populations and groups within the broader community. It may be feasible, for instance, to provide childcare utilising a market-based approach in most areas and communities for most clients. However, there may be geographic areas or communities of people that a market-based model fails to reach. The western suburbs of Sydney has the largest Aboriginal community in Australia and whilst there is significant market-based provision of childcare services in that area, there are no services that specifically address the needs of the local Aboriginal community. As a result, Aboriginal children are up to four times less likely than other children to access any form of Commonwealth funded childcare.

The report needs to acknowledge that the choice of delivery mode, market-based or otherwise, impacts very significantly not just on where services can be delivered but on for whom they can be delivered and on the service model itself.

### 3.6 *Supporting effective relationship and driving change [draft recommendation 13.2]*

Berry Street has provided comments on the proposal for an Office for Not-for-Profit Sector Engagement within the Prime Minister's portfolio earlier in this submission.

We support, in principle, the proposed establishment of an Office for Not-for-Profit Sector Engagement within the Prime Minister's portfolio.

Consistent with our earlier comments we would recommend that the Office be called the Office for Not-for-Profit Sector Development, and that its role include the following additional/expanded functions:

- Advising the Council of Australian Governments (COAG) on regulatory reform and integration across all levels of government;
- Influencing and regulatory and contracting arrangements at all levels of government;
- Reporting on implementation of the Productivity Commission Research Report 'Contribution of the Not-for-Profit Sector' recommendations;
- Co-ordinating the finalisation, implementation and evaluation of the Australian Government Compact with the Not-for-Profit Sector.