

Museums & Galleries NSW

Comments on the Productivity Commission's Draft Research Report on the Contribution of the Not- for-Profit Sector

4 December 2009

Museums and Galleries NSW (M&G NSW) congratulates the Productivity Commission on the production of a comprehensive report on the Not-For-Profit sector.

We believe that the report provides a useful overview of this extremely diverse sector and its contribution to Australian society. M&G NSW is particularly interested to see the comments on gaps in knowledge about the sector and the difficulties found in adequately capturing, let alone analyzing, data. We agree that the limited resources within the sector to effectively manage project evaluation and reporting mechanisms greatly limits available data which in turn leads to an under-representation of the value of the sector to the Australian community at large.

As a peak body, we are involved in reporting on our projects to funding agencies, gathering data on projects funded through our grant programs and gathering information on the sector through our research projects. We agree that there are clear gaps in the available information on our sector and that gathering meaningful data is hindered by the resource limitations of a sector that to a great extent is volunteer-managed and where those organisations that have paid staff rarely have more than 15 full time employees.

M&G NSW has undertaken a number of studies of aspects of the museum and gallery sector in NSW. The following are some observations on the challenges involved:

- **Annual Survey**

This is sent out to the sector to gather information on the previous year's operations. Feedback from the sector has indicated that a single A4 page survey once a year is preferable to a longer survey every 3 years. Whilst information is asked about a calendar year, it is not always clear whether data is provided on a financial calendar year basis.

In general 5-600 surveys are sent out with approximately 150 returned. When this information is broken down, we find that the return rate for the smaller number of organisations with paid staff is generally about 80%. Whilst there is a much lower return rate for volunteer managed organisations, anecdotal evidence indicates that there is a higher return rate amongst volunteer organisations with a greater number of volunteers and more active engagement within the sector. Hence the impact of the organisations that do not return surveys may well be minimal on overall data. The uneven nature of the sector in terms of size, income and expenditure, visitor numbers, staffing and volunteers has led us to be cautious in extrapolating available data to the sector as a whole. In general we find that the data requires further segmentation in order to be understood in any meaningful way.

- **Gallery Scoping Study**

This was undertaken in 2005-6 at the request of Arts NSW. Collaborating with ArtsNSW enabled us to utilise data obtained through regional gallery grant acquittals to ArtsNSW to build up a picture of the sector. The accuracy of the data was then able to be confirmed and gaps filled in through direct contact with

galleries without asking them to provide information that had been previously submitted.

- **Audience Evaluation Study**

This project is funded through the Australia Council which limits the focus to regional galleries. The funding is over three years and has enabled studies to be undertaken in Western Sydney, the Hunter region of NSW, metropolitan Sydney and finally regional NSW. Through this program M&GNSW is gathering valuable data about audiences to galleries in various regions of the state that over time will enable a greater understanding of gallery audiences and the differences in audience makeup across NSW. By collaborating with galleries across NSW, the program increases understanding of audience evaluation and provides gallery staff with the skills to undertake their own audience evaluation.

- **Thematic study of collections related to WWI and WWII NSW-based activities**

This project provided an opportunity to gain an understanding of collections related to a specific theme held in museums and galleries across the state. A paper based survey was sent out with varied responses. It was found that more accurate data was gathered through site visits than was provided through the survey. However, this is an extremely resource-hungry process. There continues to be a limited understanding of what material is held in collections across NSW and its value to the community.

- **Issue-specific studies**

From time to time M&GNSW undertakes studies of issues of specific interest to the sector including: the need for touring exhibitions with museums, the role of Directors within local government-funded galleries and museums, 'Who owns museums?' and the impact of the convergence of galleries and museums with other local government bases enterprises such as libraries and performance spaces. These studies tend to use a mix of paper based surveys, online surveys and interviews with key individuals.

- **Economic Impact Value Study**

This study is being undertaken in the Central West region of NSW in partnership with Bathurst, Dubbo and Orange councils in response to ongoing requests from local government to provide information/evidence about the value/outcomes of investing in the cultural infrastructure within their region.

The project is being joint funded by M&G NSW and these local government partners, and is using a range of research strategies including an analysis of available data and interviews with key individuals in each local government area being studied.

Draft Recommendation 5.1:

The Australian Government should initiate an Information Development Plan(IDP) for the not-for-profit sector. Given its central role in providing data on the sector, and its legislated responsibility for statistical coordination, the Australian Bureau of Statistics should be given responsibility for formulating the IDP, consulting other key stakeholders as appropriate.

Among the issues the IDP should address are:

- **the appropriate frequency for publication of the satellite account on the sector and the scope for expanding measurement in the satellite account beyond economically significant entities**
- **the scope to improve administrative and other longitudinal data sets to support analysis of net impacts of sector activities**
- **the feasibility of obtaining accurate estimates of the number of unincorporated not-for-profit organisations in a cost-effective manner.**

M&G NSW agrees in principle with the development of an Information Development Plan for the not-for-profit sector.

Whilst the satellite account plays a significant role in providing feedback on the impact of the sector, the satellite account is primarily based on economic impact. M&G NSW suggests that the IDP should incorporate a broader agenda than the satellite account by looking across issues of economic, environmental, social and cultural impact as outlined in the Common Framework (figure 3.2 of the draft report). Similarly, the Community Indicators Victoria program provides a range of indicators that may be adaptable to a national agenda.

M&G NSW supports the suggestion of publishing the NFP sector's satellite account every three years as suggested by Mark Lyons and ACOSS. It is suggested that future reports incorporate longitudinal comparisons across the available reports as well as information on the year being reported.

Whilst it would be useful to include smaller entities in the satellite account report, M&G NSW agrees with Mark Lyons' (p5.9) observation that impact of this component of the sector is mostly captured through data on volunteering.

Undertaking smaller studies of the not-for-profit sector at a local government level to ascertain the size of the sector beyond those with Australian Business Numbers could be most useful for- checked with state based key organisations (in terms of the arts sector in NSW this could include Regional Arts NSW, Museums & Galleries NSW, Accessible Arts NSW and Community Cultural Development NSW).

M&G NSW agrees that a level of disaggregation and regional breakdowns of information is an important aspect of the information provided. As outlined above, M&G NSW has found that the varied levels of operation within the museum and gallery sector mean that,

at times, it is necessary to break information down by region or level of resource in order to appropriately interpret the data that has been gathered. No doubt, on an Australia wide analysis of the entire not-for-profit sector this would be even more the case. Such disaggregation and regional breakdown would also mean that the data was of use for a much broader range of users.

Disaggregation using either the international standard (ICNPO) or the Australia New Zealand standard (ANZSIC) should be examined. Whilst it may be useful to be able to compare data on an international basis, the ability to utilise the data with other reports produced by the ABS and similar entities may be of more importance.

Draft Recommendation 5.2:

Australian governments should endorse a common framework for measuring the contribution of the not-for-profit sector. Having regard to the diversity of the sector's activities and structures, measurement using this framework should embody the principles of proportionality, transparency, robustness, flexibility, and applicability.

To the extent possible, evaluations should be used to help identify the contributions, especially in respect of the impacts on individuals and the community, and inform the development of data collections.

M&G NSW agrees with the development of a common framework for measuring the contribution of the not-for-profit sector.

The draft measurement framework provided in figure 3.2 provides a succinct summary of the sector's activities and impact. The recognition of areas that are difficult to measure mirrors M&G NSW's experience. We believe that the development of the framework should be undertaken by a working group in a similar fashion to the Cultural Ministers Council's statistics working group incorporating representation from the three tiers of government, various aspects of the not-for-profit sector and business philanthropy.

Any framework that was developed would need to take into account the cost to not-for-profit organisations of reporting on the information, the cost to agencies managing the data, the level of flexibility needed to ensure the framework was able to work across the range of environments the not-for-profit sector operates within and the capacity of the framework to provide rigorous data.

Museums and Galleries NSW agree with the Draft Report's observation that "When performance is assessed through explicit performance indicators, incentives are created to shift attention towards what can be easily measured and away from activities which are more difficult to quantify, but nevertheless potentially more valuable" (p5.16). It is important that this issue is kept in mind as the framework is developed and disseminated.

M&G NSW believes that there is great value in an honest evaluation of the effectiveness of projects including an examination of stumbling blocks and problems encountered. The very nature of funding arrangements make it difficult to report on this as it can be perceived as a failure of the program and there is a fear that an honest evaluation of failure could limit an organisation's capacity to receive further funding. Reporting on what didn't work is as important as reporting on what has worked and is a vital component of learning and improving upon funded programs. Perhaps this could be addressed by undertaking some evaluation through small face to face forums rather than simply supplying written reports. This would allow organisations to share experiences rather than simply reporting on them in isolation.

Draft Recommendation 5.3:

To minimise compliance costs and maximise the value of data collected, Australian governments should agree to implement a reform agenda for reporting and evaluation requirements for not-for-profit organisations involved in the delivery of government funded services. This should commit to basing reporting and evaluation requirements in service delivery contracts on a common measurement framework (appropriately adapted to the specific circumstances of service delivery)

- **require expenditure (input) measures to be based on the Standard Chart of Accounts**
- **ensure that information generated through performance evaluations are returned to service providers to enable appropriate learning to take place and for organisations to benchmark their performance**
- **embody, where practicable, the principle of 'report once, use often'.**

Museums and Galleries NSW agrees that Australian governments should implement a reform agenda for the reporting and evaluation requirements of not-for-profit organisations involved in the delivery of government funded services. We further agree in the development and use of a common measurement framework but feel that it is paramount that such a framework is broad enough to accommodate the specific needs of the greatly varied aspects of the sector.

Governments need to be wary of unintended outcomes of such a framework, in particular the framework influencing the type of program delivered instead of being used as a mechanism for evaluating the program delivered.

M&G NSW agree with the use of the Standard Chart of Accounts but observe that this often leads to large components of an organisation's activity coming under a single operational line. At an organisational level, a further breakdown of activity may still be required.

M&G NSW agrees that information generated through performance evaluations should be returned to service providers. We further suggest that this information should be available to peak bodies (taking into account privacy requirements) in a format that

allows information to be examined and interpreted in a broader context. The Canadian Outcomes Research Institute (CORI) as outlined on page 5.26 of the report could possibly be used as an information management model.

Museums and Galleries NSW strongly supports the principle of 'report once, use often'. Like many in the not-for-profit sector we are funded primarily through a mix of state and federal grants. In the past few years there have been considerable inroads to improving reporting mechanisms through initiatives such as the "Road to Harmony" between ArtsNSW and the Australia Council. Similarly, recent discussions with Arts NSW have led to reducing the number of individual reports provided on an annual basis from more than six to a single acquittal.

Draft Recommendation 5.4:

The Australian Government should provide funding for the establishment of a Centre for Community Service Effectiveness to promote 'best practice' approaches to evaluation, with an initial focus on evaluation of government funded community services. Over time, funding could also be sought from state/territory governments, business and from within the sector.

Among its roles, the Centre should provide:

- **A publicly available portal containing evaluations and related information provided by not-for-profit organisations and government agencies**
- **guidance for undertaking impact evaluations**
- **'meta' analyses of evaluation results.**

M&G NSW supports the establishment of a Centre for Community Service Effectiveness. Whilst it may be possible to expand funding over time to include state/territory governments, business and the sector, we suggest that this is not included as an initial goal. The not-for-profit sector needs to be confident that the Centre has government's long term support; short term seed funding can lead to a lack of confidence in the enterprise and a Centre focused on short term outcomes rather than long term goals.

It could be of great benefit to the sector if the portal enabled access to broader/raw data as well as reports. Such information could assist in cross sectoral comparative analysis which could be of great benefit to the sector as a whole. The inclusion of training and best practice examples of evaluation processes would also greatly benefit the sector as a whole.

A further area for consideration is training and assistance in the promotion of the information gathered by not-for-profits. This is often a real challenge, particularly for smaller organisations as it is not their core business. The value of the sector is underestimated by the broader community because it is not always promoted as well as it could be. Providing support to umbrella/peak bodies in promoting the outcomes of evaluation to the broader Australian community could be an important service of the Centre for Community Service Effectiveness.

Draft Recommendation 6.4:

The Australian Government should establish a one-stop shop for Commonwealth regulation by consolidating various regulatory functions into a new national Register for Community and Charitable Purpose Organisations with the following key functions to promote confidence in the not-for-profit sector:

- **register and regulate Commonwealth incorporated associations, companies limited by guarantee and Indigenous corporations;**
- **register and endorse not-for-profits for commonwealth tax concessional status**
- **registration of cross-jurisdictional fundraising by not-for-profit organizations**
- **a single reporting portal for public record corporate and financial information, proportionate to the size and scope of functions of not-for-profit organizations**
- **provision of appropriate governance education**
- **complaints handling**

Agree in principle. Whilst there is value in a Not for Profit Register, any changes to RoCCPO need to be carefully considered. A common regulatory system should minimise inconsistencies in approach, ensure appropriate coverage of Commonwealth regulation and enable ease of access to material. Whatever the system, it is essential that it is adequately funded.

Draft Recommendation 7.1:

Australian Governments should recognize the tax concession status endorsement of not-for-profits at the Commonwealth level, and explore the scope for a single national application process for organizations for tax status endorsement, or mutual recognition of endorsement, across all jurisdictions.

Agree in principle. This consistency of approach should encourage financial support of not-for-profits by easing the application process.

Draft Recommendation 7.4:

The Australian Government should establish a joint working party made up of representatives of the not-for-profit sector, business, philanthropic and other government to explore obstacles to not-for-profits raising capital and evaluate appropriate options to enhance access to capital by the sector.

Agree in principle. However, it is crucial that such a working party keeps in mind the **diversity** of the sector, and the **need to recognise sub-sectors**, which could be categorised based on the Industry Sector Classifications model as a starting point, such as: Culture & Recreation; Education & Research; Hospitals & Health; Religion; Business & Unions; International & Environmental.

The role of different types of intermediaries in facilitating NFPs access to capital

We support the appointment of peak Industry Associations that work to **promote and build the capacity of each sub-sector** by facilitating more efficient collaboration between the Corporate and NFP sectors.

The primary role of such an entity **should serve as an enabler** to drive performance and service delivery of the NFP sector through the provision of accurate and timely data to better inform the planning processes of those responsible for service provision, service quality and service efficiency across the NFP sector.

An existing example of a Government intermediary that works with business to support the arts sector, is the *Australian Business Arts Foundation (AbaF)*

As the national peak body that promotes private sector support for the arts in three key areas: partnering, volunteering and giving, AbaF works to facilitate more efficient collaboration between the Corporate and NFP sectors.

AbaF makes connections through partnering programs that link business with the arts. They work with businesses large and small, arts organisations of all types, individual artists, trusts and foundations and provide advice, professional and skills development, volunteering and networking opportunities. Many of these services are free.¹

Whether there is a need for a new legal form of incorporation for not-for-profits allowing equity investment similar to the UK Community Interest Companies.

Such a legal entity should serve to support the sustainability of NFPs and social enterprises from all sub-sectors by streamlining their collective capacity to generate equity; thus strengthening their ability to invest in their individual sectors and in an overall socially inclusive economy.

¹ www.abaf.org.au

Draft Recommendation 9.1:

Australian Governments should explore options to expand existing programs [that] encourage and support social innovation. Options include expanding the Cooperative Research Centres program, and encouraging agencies funding social services to create Social Innovation Funds to support research collaborations into innovative solutions to social problems. These initiatives should be tailored to attract research organisation not-for-profit business consortiums and cons formed for the purpose of addressing social problems in Australia.

Agree in principle.

Draft Recommendation 10.2:

In order to ensure that not-for-profits can sustain their workforces, Australian governments purchasing community services need to base funding on relevant market wages for equivalent positions. Costings need to take into account the skill sets required to perform the purchased services and be indexed appropriately to market wage growth within that industry sector.

Agree in principle. Parity wages and entitlements with equivalent positions outside the not-for-profit sector should assist with the recruitment and retention of the most appropriately qualified person for the position and be less costly in the medium to longer term.

Draft Recommendation 10.4:

Australian governments should provide support to develop and promote training for not-for-profit management and boards in governance and related areas. They should explore the options for improving access to and quality of such training in these areas with peak bodies and appropriate training providers.

Agree in principle. This sharing of information would assist in working towards more informed and appropriately trained management and boards.

Draft Recommendation 11.1:

Australian governments should, in the contracting of services or other funding of external organizations, determine and clearly articulate whether they are fully funding particular services or activities undertaken by not-for-profits, or only making a contribution towards the associated costs and the extent of the contribution.

Australian governments should fully fund those services and activities that they would otherwise provide directly. In applying this criterion, governments should have regard to whether the funded activity is considered essential, as part of the social safety act or an entitlement for eligible Australians.

Agree in principle. This would assist in ensuring that these services and activities are offered at the level that is appropriate and not take away resources from the not-for-profit sector that could be better utilized in supporting their particular areas of specialization.

Draft Recommendation 11.4:

That a principle of Australian governments' funding service provision or making grants is that they should respect the independence of funded organizations and not impose conditions associated with the general operations of the funded organisation, beyond those essential to ensure the delivery of agreed funding outcomes.

Agree in principle as this provides more independence to the not-for-profit sector and allows them to utilize their specialist areas of knowledge whilst ensuring that appropriate government regulations are observed.

Draft Recommendation 12.2

Where a market-based approach is not feasible or appropriate, governments should use other models of engagement. This may involve governments entering into either extended life or short-term collaborative relationships.

The later are likely to be particularly suitable to ‘seeding’ the development of new and innovative services to address intractable (or ‘wicked’) problems.

Extended life collaborative arrangements should adopt an iterative process that will:

- **involve all parties in the design of the program**
- **embed and fund an agreed evaluation process, informing program design and modification**
- **regularly review and revise the service delivery approaches in light of findings from evaluation, changing demands or environmental conditions**
- **provide long term or rolling funding with capacity to adjust funding in light of the modifications.**

Agree with the principle that collaborative arrangements should adopt an approach which will be inclusive, agreed and evaluated and provide long term adjustable funding. This needs to be seen in the context that seeding funding is for a clearly articulated and agreed purpose with a measurable set of outcomes that it is not a way of starting up something larger such as a national organisation, with insufficient funds to undertake its purpose and is therefore likely to fail. Seeding funding is an initial method of exploring possibilities and determining whether something should be pursued. It should not be used to underfund a good idea.

Draft Recommendation 12.4

Australian governments should ensure that whatever model of engagement is used to underpin the delivery of services that *it is consistent with the overarching principle of obtaining the best value for money for the community.*

In determining value for money, governments should explicitly recognise any spillover (or wider) benefits that providers may be able to generate. An evidence-based approach should be used to assess the nature, extent and relevance of these types of benefits on a case-by-case basis.

Agree in principle. A successful model of engagement between Governments and peak sector bodies is entrusting the latter to provide specialist service delivery to a wide range of groups within the community.

M&G NSW receives core and project funding from Arts NSW and the Australia Council for the Arts, and devolves funding on behalf of the NSW State Government in the form of small grants to the museum and gallery sector in NSW. It has a successful track record of leveraging this funding to obtain additional federal funding.

The wider benefits of assigning peak sector NFPs to disseminate government funding efficiently is that they increase the capacity to value-add to their sub-sector through the provision of advocacy, professional and skills development programs to build and strengthen Australian communities.

Draft Recommendation 12.5

The length of service agreements and contracts should reflect the length of the period required to *achieve agreed outcomes*, rather than having arbitrary or standard contract periods.

Extended life service agreements or contracts should set out clearly established:

- **processes for periodically reviewing progress towards achieving a program's objectives**
- **conditions under which a service may be opened up to new service providers or a provider's involvement is scaled back or terminated.**

Contractual agreements between Government and peak sector bodies who receive multi-year funding should be developed and conducted in consultation with these organisations in an agreeable rather than an adversarial manner.

All proposed revision to contractual agreements between Government and peak sector bodies should be clarified at the outset of this process, particularly in relation to an organisation's capacity to amend clauses in its contractual agreements that are overly restrictive on the delivery of their program of operations.

Reviews conducted by Government on the operations of peak bodies have the capacity to redirect and align their operations in keeping with governance best practice and in the context of emerging sector needs.

Draft Recommendation 12.7

Australian governments should urgently review and streamline their tendering, contracting, reporting and acquittal requirements in the provision of services to reduce compliance costs.

To reduce the current need to verify the provider's corporate or financial health on multiple occasions, even within the same agency, reviews should include consideration of:

- **development of Master Agreements that are fit-for-purpose, at least at a whole-of-agency level**
- **use of pre-qualifying panels of service providers.**

The Commission seeks views on how these proposals could be achieved without increasing the complexity of the engagement processes or agreements and contracts.

Agree in principle. It is important that not-for-profits are vetted for quality control and standards. However, while this should entail a preliminary detailed process, it is recommended that vetting is not required annually, and that an endorsement of the organisation should last at least three to four years.

Annual acquittals based on an agreed performance criteria would still be required, however succinct annual acquittals to justify the expenditure of ongoing funding should be encouraged.

Reporting requirements for NFPs receiving long-term (i.e. triennial or quadrennial) funding should not create a barrier for NFPs undertaking their program of operations.

Draft Recommendation 13.2

The Australian Government should establish an Office for Not-For-Profit Sector Engagement within the Prime Minister's portfolio, for an initial term of five years.

The Office would support the Australian Government in its efforts to:

- **implement sector regulatory and other reform and the implementation of the Government's proposed compact with the not-for-profit sector**
- **promote the development and implementation of the proposed Information Development Plan**
- **initially fund and oversee the establishment of the proposed Centre for Community Service Effectiveness**

Agree in principle. A National agreement should bring clarity and strategic direction to the relationship between NFPs and Government. There should be increased emphasis on building and sustaining partnerships between Government and NFPs and amongst the sector itself.

A National Compact should be implemented between Government and the third sector, concerning the principles and agreements that should frame and shape government dealings with the sector and to allow for an unprecedented opportunity for the Government and the Third Sector to articulate and encourage positive partnerships.

Such a compact has been championed by Senator Ursula Stephens, Parliamentary Secretary for Social Inclusion and the Voluntary Sector, who is responsible for development of the National Compact.