

# Productivity Commission Inquiry into Contribution of the Not-for-Profit Sector- Response to Draft Research Report



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## Introduction

Women's Health Victoria is a statewide women's health promotion, information and advocacy service. We are a non government organisation with most of our funding coming from various parts of the Victorian Department of Human Services. We work with health professionals and policy makers to influence and inform health policy and service delivery for women.

Our work at Women's Health Victoria is underpinned by a social model of health. We are committed to reducing inequities in health which arise from the social, economic and environmental determinants of health. These determinants are experienced differently by women and men. By incorporating a gendered approach to health promotion work that focuses on women, interventions to reduce inequality and improve health outcomes will be more effective and equitable.

Women's Health Victoria's vision is for a society that takes a proactive approach to health and wellbeing, is empowering and respectful of women and girls and takes into account the diversity of their life circumstances.

Women's Health Victoria's ways of working are guided by four principles:

- We work from a feminist framework that incorporates a rights based approach.
- We acknowledge the critical importance of an understanding of all of the determinants of health and of illness to achieving better health outcomes.
- We understand that the complexities involved in achieving better health outcomes for women require well-considered, forward thinking, multi-faceted and sustainable solutions.
- We commit to 'doing our work well'; we understand that trust and credibility result from transparent and accountable behaviours.

## **Submission**

Women's Health Victoria (WHV) welcomes the opportunity to comment on the recommendations contained in the Draft Research Report.

Women's Health Victoria is endorsed as a Deductible Gift Recipient- Health Promotion Charity and has related taxation concessions.

WHV acknowledges the importance of the Productivity Commission's Inquiry into the contribution made by the not for profit (NFP) sector in Australia. Having read the consultation paper and the draft research report, we make comment on some of the recommendations. While all of the recommendations have merit we have made comment on those that we consider are of the highest priority to effect real and meaningful change and have listed them in order of priority for action by government/s and the sector.

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

*Supporting effective relationships and driving change*

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***
- implement the proposed contracting reforms in government-funded services***
- act as a catalyst for the promotion and funding by government agencies of social innovation programs***
- facilitate stronger community and business collaboration.***

***The Office should, through the relevant Minister, report publicly on an annual basis on its achievements.***

WHV considers the implementation of this recommendation to be a critical factor in making change happen in the way the not for profit sector is engaged with by governments, business and within the sector itself. Action to implement the content of many of the recommendations has been called for and needed over many years and many inquiries, reports and representation from the sector.

We fear that if this opportunity for reform and development of the sector is not taken now then it will be an opportunity lost for many more years.

## **Building a better knowledge base**

### *Measuring the contribution of the sector in the future*

#### **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.***

WHV strongly supports this recommendation and considers it long overdue for action. Given the current and potential size and impact of the contribution of the NFP sector in Australia, it is imperative that the economic contribution and impact on community wellbeing is measured in a systematic way. There is now doubt that the ABS is the appropriate body to undertake this work and enhances the concept in the Draft Report of 'report once, use often'. Data produced could then be used by government, research bodies, the sector and others for a range of purposes.

### *Improving evidence-based practice through better evaluation*

#### **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.***

WHV strongly supports this recommendation. The urgent need for quality evaluation systems and practice is well known. It is an important part of the cycle for continuous quality improvement. There is a need for commitment by all governments to fund a process for effective evaluation for those providing and delivering programs and services to the various communities across Australia.

*Improving comparability and usefulness of information collected*

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.***

WHV also strongly supports this recommendation. In our view implementation of this recommendation goes hand in hand with Draft Recommendation 5.1 & 5.4. The framework for measuring the contribution of the sector contained in the Draft Report is a good outline of the components to be included. Measuring outcomes and impacts of various program and services forms an essential part of evaluation. It is a costly exercise which has been acknowledged by the Commission and is rarely sufficiently provided for by government in grantmaking.

Increasingly, governments want to know the economic benefit of providing particular programs and services and this is an ideal opportunity to address the complex issues of measurement. We strongly suggest that impact measurement includes the use of the social determinants of health in measuring community wellbeing.

The Victorian State Department of Health is in the process of implementing a measurement framework for programs such as Integrated Health Promotion. It is innovative work and funded organisations are implementing the framework for measurement and reporting from this financial year.

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'.***

Our comments for Draft Recommendations 5.1 and 5.2 apply equally here.

The concept of being able to benchmark performance is also increasingly being sought by many organisations in the NFP sector. This encourages continuous quality

improvement, assist with meeting accreditation standards, and can enable funding bodies to have access to comparative analysis of organisations and their performance.

The concept of 'report once, use often' is a long overdue and necessary step in reducing the compliance burden on organisations in the NFP sector. Too much time and therefore cost, is expended in meeting the particular reporting requirements of the many and various government program areas at all levels.

A standardised approach would have many benefits for all and have been acknowledged in the Draft Report. The effort in taking action on this recommendation would be significant initially but would reap rewards in many ways and for many years.

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

### *Consolidating Commonwealth regulation and improving transparency*

#### 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 Registrar 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 concession status***
- ***registration of cross-jurisdictional fundraising by not-for-profit organisations***
- ***a single reporting portal for public record corporate and financial information, proportionate to the size and scope of functions of not-for-profit organisations***
- ***provision of appropriate governance education***
- ***complaints handling.***

WHV strongly supports this recommendation. Drafts Recommendations 6.1 and 6.3 should be developed in conjunction with implementation of this recommendation for a 'one-stop shop'.

The importance of moving towards a single regulatory framework for the NFP sector is very important. It has worked well for the business sector at all levels and would work equally well for the NFP sector.

It is also very important to separate the Australian Taxation Office role of registering and endorsing eligible NFP's for taxation concession status from its revenue protection and collection role.

The development of this type of approach has worked well in several overseas countries and there is no reason to assume that it would not be successful in Australia.

*Providing for appropriate legal forms*

Draft Recommendation 6.1

***The Australian Government should establish a Commonwealth incorporated associations legal structure for not-for-profits. The new legal structure would assist not-for-profits, in particular those operating across state and territory boundaries, that do not wish to be companies limited by guarantee but wish to be incorporated at the Commonwealth level.***

***Australian governments should ensure that incorporation legislation is amended to allow not-for-profits to migrate from one form of legal entity to another and to migrate between jurisdictions.***

***State and territory governments should continue to reduce unnecessary compliance requirements for incorporated associations.***

WHV strongly supports this recommendation. We would also support the involvement of the Australian Securities and Investment Commission (ASIC) in being the regulatory body to implement legislation to effect this important step.

We are aware of a number of organisations that would readily utilise a national form of incorporation for associations. For example, the Australian Women's Health Network (AWHN) is an association with a volunteer committee incorporated in the ACT. Its membership base and committee are located Australia wide. In the current circumstances it would be very difficult to transfer the incorporation to another State. The requirement for the Public Officer to reside in that particular State is a risk issue for the association. There are other compliance issues particular to that State's regulations and the fact that the treasurer and auditor may be located in other States, which has been the case with the AWHN.

If there was a national incorporation option then various risk factors for these types of organisations would be much reduced and the compliance burden eased.

*Reducing unnecessary compliance burdens*

Draft Recommendation 6.3

***The Australian Government should adopt a statutory definition of charitable purposes in accordance with the recommendations of the 2001 Inquiry into the definition of charities and other organisations.***

WHV strongly supports this recommendation. We have made a number of submissions over the years to various inquiries in support of the recommendations from the 2001 Inquiry. Clarity and a common understanding of the definition and concept of a charity in Australia is now required.

## Realising funding opportunities for the sector

*Simplifying processes for and improving effectiveness of tax endorsement*

Draft Recommendation 7.1

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

WHV strongly supports this recommendation. There are too many risks to loss of taxation concession status in some areas because the States do not currently recognise Commonwealth concessions in a consistent manner.

For example, In Victoria the State Revenue Office undertakes its own assessment for eligibility for payroll tax, stamp duty and land tax exemptions. Eligibility for workers compensation premium concessions are onerous and have been in a 'catch-up' situation with changes in recent years in commonwealth regulation regarding charity taxation concessions.

## Facilitating social innovation and sector development

*Promoting social innovation*

Draft Recommendation 9.1

***Australian governments should explore options to expand existing programs 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 collaborations formed for the purpose of addressing social problems in Australia.***

WHV strongly supports this recommendation.

Draft Recommendation 9.2

***State and territory government programs aimed at building the capacity of not-forprofits for service delivery or community development should include specific guidance and training on undertaking evaluations.***

WHV strongly supports this recommendation. The recognition by funding bodies for this training is emerging and as stated earlier there are some program areas that are doing meaningful work in attempting to implement quality measurement and evaluation frameworks

*Addressing current and longer term workforce shortages in community services*

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.***

WHV strongly supports this recommendation. The benefits of retaining and attracting a well skilled workforce is well known to NFP employers. The pressure on organisations to achieve and retain the best possible taxation concession status particularly in relation to Fringe Benefits Taxation exemptions is high.

For Women's Health Victoria it would be very difficult to retain our valued and skilled staff if we did not have our charity taxation concession status. The alternative is for funding to occur directly from government through increases to Funding and Service Agreements, rather than indirectly through taxation concessions.

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

*Providing clarity over funding obligations*

Draft Recommendation 11.1

***Australian governments should, in the contracting of services or other funding of external organisations, 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 that 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 net or an entitlement for eligible Australians.***

WHV strongly supports this recommendation.

*Ensuring appropriate independence*

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 organisations and not impose conditions associated with the general operations of the funded organisation, beyond those essential to ensure the delivery of agreed funding outcomes.***

WHV strongly supports this recommendation. The example we provide is that a condition for ongoing funding for one of our programs was the development and implementation of an advisory committee. This was done in addition to and outside of the governance structure of the organisation and has resulted in issues to be dealt with by the organisation around accountability, reporting and secretariat support.



## Removing impediments to better value government funded services

### *Getting the model of engagement right*

#### 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 latter 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.***

WHV strongly supports this recommendation. We can provide examples of how this approach could work particularly in the prevention of violence against women.

### *Improving management and appropriate sharing of risk*

#### 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.***

WHV strongly supports this recommendation.

### *Streamlining tendering, contracting and reporting requirements*

#### 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.***

WHV strongly supports this recommendation.