



NADA submission to:

**Australian Government Productivity Commission
Issues Paper - April 2009: Contribution of the Not for Profit Sector**

May 2009

INTRODUCTION

The Network of Alcohol and other Drug Agencies is the peak body for NSW non government drug and alcohol service providers. NADA currently has approximately 120 member agencies across NSW. These agencies represent all the NGO specialist drug and alcohol service providers in NSW. NADA is also expanding into the ACT and QLD and there is high potential for membership growth. The NADA program consists of sector representation and advocacy, workforce development, information/ data management, governance and management support and a range of capacity development initiatives.

The majority of NADA funding is provided by NSW Health. However, NADA is currently diversifying its funding base to include the Commonwealth Department of Health and Ageing. NADA works closely with the policy community in community services, including the Council of Social Services NSW (NCOSS) and the broader drug and alcohol sector and national research centres such as the National Drug and Alcohol Research Centre (NDARC).

NADA has not commented on some sections in the Commission's study, rather we have focused comments on issues that are most pertinent to the non government drug and alcohol sector in NSW and because other larger not for profits have commissioned reviews and studies that provide the data in the review scope.

RESPONSE TO THE ISSUES IDENTIFIED

SECTION 1: SCOPE OF THE STUDY

NADA agrees with the approach of the study and in particular the focus on the social and community services sector which we trust will include health services provided by NFPs. We believe consideration needs to be given to NFPs that provide services funded by health departments that are not provided by the public health system as well as those that are also provided by the public health system.

NADA believes that medium to small size NGO's have been most impacted by the changes in regulatory environments, trends and developments (Accreditation/Quality Improvement, advanced accounting requirements and compliance costs) and competition in NGO grant funding over the last two decades and we believe the impact on these organisations should be given particular focus. These organisations would be typically three to eight full time equivalent employees and annual budgets ranging from \$300,000 to under \$1,000,000.

SECTION 2: MEASURING THE CONTRIBUTION OF THE NOT FOR PROFIT SECTOR

NADA supports the use of previous studies both nationally and internationally. NADA also believes that two studies undertaken on the funding and costs of NGO drug and alcohol service provision may be useful for the Commission to consider as well as some independent work on the profile of the NGO drug and alcohol workforce in NSW undertaken by NADA .as some independent studies on cost effectiveness of NGO drug and alcohol treatment services undertaken by one of our significant treatment service providers.

NADA has attached a copy of an unpublished NSW Health funded costing study on residential rehabilitation services in NSW conducted in 2005. This study shows the cost drivers of this type of service delivery noting the additional substantial contribution of the NGO sector to the funds provided by government to provide this type of drug and alcohol service delivery.

We are also attaching a copy of a cost effectiveness study provided by a NADA member service for consideration by the Commission.

The Queensland University of Technology; The Australian Centre for Philanthropy and Non Profit Studies: "How Long is a Piece of Red Tape – The Paperwork Reporting Cost of Government Grants" is also attached

SECTION 3: ENHANCING THE EFFICIENCY AND EFFECTIVENESS OF THE NOT FOR PROFIT SECTOR

NADA has identified many of the issues raised by the Productivity Commission Issues Paper through comments/complaints from its membership and through our direct work on workforce development initiatives with the sector.

Industrial impediments/issues

NADA has identified some major industrial impediments with respect to attracting staff from the public sector to the NGO sector. These include, but are not limited to significant remuneration variations, the non transferability of superannuation and leave entitlements and less or very limited opportunities for career advancement in many small to medium NGOs.

Workforce issues

Also NADA conducted a workforce profile in 2008 and will submit this data with our submission. This profile shows the issues of an aging workforce as well as the issue of impediments to recruitment and retention around remuneration capacity. Career progression and career structure in the sector is also an issue due to the industrial awards that govern the sector (Social and Community Services Award).

Contractual arrangements

The demands by health department funders that interest earnings from grant monies be attributes back to the department funded activities and not kept by organisations for their own internal business purposes is seen by the sector as problematic. These funders also have restrictive policies around NGOs generating surpluses or retained earnings. NGOs need to be able to develop surpluses by good money management and independent fund raising activities to underwrite future expenses not covered by government contracts. Also NGOs banking and investment strategies are seen as restrictive as is the policy of many funders with respect to the purchase of vehicles. Funders insisting on leasing arrangements instead

of allowing NFPs to purchase vehicles and depreciate them, and this is seen as unreasonable and cost ineffective by most NGOs.

There are a number of factors that impede the spread of knowledge, innovation and practice expertise across the NFP sector. The first factor is the lack of resources provided through funding sources by governments for detailed evaluation, research and information dissemination. This is also exacerbated by the competitive tendering model of government service provision funding. Our experience shows that many NFPs treat their service modelling, delivery and developmental processes as 'commercial in confidence' as other NFPs providing similar services are in competition.

Length of service contracts, with an increasing trend to short term (one and two years) generate uncertainty, inhibit innovation and are detrimental for forward planning by NGOs, and are also significant with respect to recruitment and retention issues.

With respect to governance and accountability arrangements, the movement towards competitive funding has engendered greater levels of accountability and increased compliance costs.

There are four accountability mechanisms:

- Financial reporting
- Service performance reporting
- Compliance with service standards and guidelines reporting
- Client data reporting

NADA is aware of many cases of compliance burden with the increase of funded activities for similar or exactly the same service delivery by services that already have pre existing funding agreements with state government funders. Each separate activity (even where it is exactly the same service as the existing service delivery) carries with it a set of performance indicators, quality specification and data collections. This is particularly burdensome in the context of services that provide complex human services for people with multiple and complex needs (drug and alcohol clients) that require services under multiple programs.

The next factor relates to the lack of resources provided by government funders for the development and maintenance of Quality Improvement programs in NGOs. Government funding policy, such as that in the NSW Health Drug and Alcohol Program, requires NFPs to be undergoing QI as a risk management strategy but do not want to resource comprehensive ongoing QI processes as part of the grant for service delivery. This results in many organisations devoting only limited resources to their QI programs. This is a lost opportunity for the development of best practice and benchmarking exercise that could be robustly supported by applying adequate resources to NFPs external QI programs. Most national and international QI providers have a QI system that goes to benchmarking and leadership levels of accreditation evidence.

NADA believes that better resourcing for QI activities would lead to better benchmarking data being available across the NFP sector. This would enable the sector to move to outcomes based funding models which would ultimately ensure more effective use of public funds with respect to NGO service delivery. We also suggest that there be better coordination across the government and Quality Improvement providers to investigate ways to disseminate best practice and benchmarking data across the sector.

We think that a more focused approach with respect to community services and health NGOs should be incorporated into the processes of the national reform agenda.

NADA believes that the trend of government funders to deal with fewer and bigger NFPs in order to reduce their transaction costs and moves to governments having 'lead provider' relationships with the sector is happening at the NSW and other state government levels. This is also being driven by the competitive tender system for funding NGOs as well as bureaucrat's interest in dealing with fewer NGOs and reducing their transaction costs. We are concerned that small, but effective and community close NGOs are at risk of losing out on opportunities for growth. This will also lead to less diversity for service consumer's choice and a reduction of the social capital in the communities that small NGOs serve.

NADA believes that funding models that encourage diversity in service delivery and encourage flexible and innovative practice should be developed in consultation with peaks and key agencies in the sector prior to new funded programs being rolled out by government.

Advocacy

The advocacy role of organisations funded by the Commonwealth was curtailed under the conditions imposed on NGO's in funding contracts by the previous federal Coalition government. This was well documented by ACOSS. This issue was less obvious in the States. NADA believes that the issue of curtailing advocacy should be part of this study. Further NADA believes that government should look at the value of advocacy in terms of improving service provision and improving the health and social status of marginalised groups. To this end we believe resources to support constructive sector and service advocacy should be included in the funding provided to NGOs where the NGO can demonstrate effective advocacy as a strategy.

We also take the view that changes to the legislation that defines charity and charitable activities needs to be undertaken at the national and jurisdictional levels to include the definition and role of advocacy as part of charitable activity. The Public Interest Advocacy Centre in NSW has made formal submissions to governments on this issue and the study should follow this up.

SECTION 4: SERVICE DELIVERY

NADA is interested in there being a clearer definition of what constitutes a government funded NGO service, for example specific and fully funded (true costs of service delivery) service agreements with an NGO as opposed to 'grant contributions' to the overall mission of an NGO. This is particularly important for human service providing NGOs. In reality, many human service NGOs do not receive grants that cover the full cost of service delivery. These are supplemented by fundraising and/or client contributions. This supplementation should be considered in the accountability and reporting requirements of government grants programs.

Integrated service delivery

NADA also argues that there are significant economies of scale and scope for service delivery in NGOs that have multiple funding contracts for similar and related health and human services in their overall service mix. Contract funding can usefully cross subsidise other aspects of related service provision. This means NGOs can offer more for the client as multiple contracts combined give additional capacity to expand and enhance their total service provision and provide an integrated service to clients.

NADA believes that it is important to highlight the costs of managing multiple contracts. There should also be greater consistency across reporting to multiple government contracts particularly where same or similar services are provided for the funding.

Trialling and piloting new approaches

NADA welcomes the increasing opportunities for NGOs to provide services on behalf of government, particularly in the health services area. This is because NGOs can provide more client focused services, closer to the communities where people live and are freer to innovate. The problems come with the lack of additional resources within the strict unit pricing policies of government department with respect to these tenders. Often, NGOs are left managing the risks associated with human services provision because the government tenders have outsourced the risk but not paid for it in the tender price. Finally, government funders rarely provide ongoing strategic funding to follow up on pilot programs that demonstrated effectiveness and value for money. This is particularly true for pilot programs in the health promotion and prevention area in health and human services.

SECTION 5: TRENDS AND DEVELOPMENT

NADA believes that more investment in IT and communications technology needs to be made in the NGO sector to improve service delivery and information exchange and data management. Current IT opportunities and developments are sometimes not taken up in the sector due to resource restraints. This is unfortunate, as new IT developments have the potential to increase effectiveness of NFP service delivery and efficiency, e.g. access to video-conferencing facilities.

The recent changes to the Fair Trading act that relates to Incorporated Associations (IAs) leaves some doubt about the treatment of income for IA's. Also there are concerns about audit compliance requirements if Incorporated Associations have to move over to ASIC there are also concerns re the review of the taxation system with respect to income tax exemption.

CONCLUSION

NADA believes the Commission's report is timely with respect to the next phase of the development of a compact relationship between the federal Government and the NGO human services sector. We believe that there is genuine and urgent need for reform of NGO grants management programs across the federal and state jurisdictions to reduce regulatory burden and improve grants management efficiency and effectiveness.

REFERENCES/ ATTACHMENTS

- The NADA Strategic Plan.
- The NSW Alcohol and Drug Residential Rehabilitation Costing Study
- NSW Non Government Drug and Alcohol Sector: Workforce Profile and other issues 2008
- Queensland University of Technology; The Australian Centre for Philanthropy and Non Profit Studies: "How Long is a Piece of Red Tape – The Paperwork Reporting Cost of Government Grants
- Cost Benefits of Therapeutic Community Programming, James A Pitts, Odyssey House, NSW.

Also, please refer to the Australian National Council on Drugs, Non-Government Organisations in the alcohol and other drugs sector ' issues and options for sustainability. A research paper. www.ancd.org.au

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