

Second Submission to the Economic Audit Committee



wacoss

Western Australian
Council of Social Service Inc

*Ways to make
a difference*

31 August 2009

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Executive Summary

This submission addresses aspects of the Economic Audit Committee's discussion paper issued in July 2009.

WACOSS and the community services sector welcome the Committee's interest in collaborating with the sector to improve public policy and service delivery in Western Australia.

Value for Money for the Right Reasons

Not-for-profit organisations are cost-effective service providers, but cannot be expected to exploit their staff

A fundamental tenet of this submission is that not-for-profit community service organisations are efficient, cost-effective providers of services to the public. However, this efficiency and cost-effectiveness is not founded on inequitable wages for staff in the sector.

Employees in not-for-profit organisations typically receive salaries 30% lower than employees in the public sector who perform the same or similar tasks. This situation cannot persist. It is inequitable, and results in an inability for not-for-profit organisations to attract and retain staff, thus undermining their viability. Government funding for not-for-profit organisations must not be founded on inequitable valuation of their staff.

Instead, not-for-profit organisations are most cost effective service providers due to their:

- access to philanthropy;
- ability to attract volunteers;
- tax concessions;
- connections with the community;
- ability to leverage assets (particularly relevant in areas such as social housing);
- less bureaucratic and more responsive management structures; and
- smaller administrative overheads.

Services to Meet Citizens¹ Needs

Structure of the relationship between Government and the sector

This section of WACOSS' submission concerns three potential or proposed elements of the formal relationship between Government and the not-for-profit community services sector: a 'compact' or statement of principles, a Charities Commission or similar body, and a consultative mechanism between Government and the sector (such as the former Human Services Industry Roundtable).

- *A compact:* There is considerable scepticism about the value of another 'compact' to underpin the relationship between Government and the community services sector. Previous compacts or policies (for example, the 2004 Industry Plan and the 2002 Funding and Purchasing Community Services Policy) have not been adhered to by Government agencies. However, there is some value in Government and the sector working together to articulate shared principles. There must be some form of dispute resolution or grievance procedure whereby not-for-profit organisations can raise instances in which Government agencies have not adhered to the principles.
- *A Commission:* There has also been discussion regarding the possible creation of a Charities Commission or other body. A role for the Commission could be the collation of data from Government agencies that is collected in reports from NFPs, and the use of this data to assist policy development. The Commission could also underpin a 'pre-qualification' process, to streamline grant and tender processes. However, if creating a new bureaucracy is considered inappropriate at this time, pre-qualification and data collection should be pursued by other means through an existing agency.
- *A consultative mechanism:* Government and the sector can both benefit from the existence of a high-level committee such as the former Human Services Industry Roundtable. A replacement for the roundtable may need a secretariat and a statutory basis if it is to work effectively.

Individualised funding

This section of the submission concerns the potential for an expansion of 'individualised funding' for community services in WA. WACOSS supports the principle of empowering

¹ This submission follows the Committee's discussion paper by defining 'citizen' to include residents

citizens, clients and consumers. A model for the provision of publicly-funded services that delivers more choice and autonomy to clients is welcomed by WACOSS.

However, there are concerns about the implementation of an individualised funding model. WACOSS concerns include the 'cherry picking' or 'cream skimming' of desirable clients; the implications of 'retrospective funding' for the cash flow of NFPs; and for organisations' ability to support non-revenue generating activities such as advocacy.

Social Innovation

This submission deals with two aspects of social innovation: innovation in service delivery and innovation in the design of policies and programs.

- Innovation in service delivery is only possible where Government funding arrangements specify the desired 'outcomes' and do not specify the processes to be followed or inputs to be used. Furthermore, funding that is too low will not facilitate innovation, as it will encourage risk aversion.
- Innovation in policy and program design needs a collaborative relationship between Government and the sector; the two must work as genuine 'partners'. Peak bodies can be an effective conduit between the sector and Government for the purposes of providing input to policy design.

Red tape

WACOSS welcomes the Committee's acknowledgement in its July 2009 discussion paper that community service organisations can be overburdened by regulation and red tape. This submission includes some examples of excessive red tape and information about the cost of compliance and reporting for NFPs.

The submission argues that much of the regulatory burden for NFPs is in contracts, grants and service agreements rather than in legislation or regulation as it is traditionally understood. Reform of contract management processes is therefore a key red tape reduction strategy. We also recommend a pilot of a 'pre-qualification' process for grants, possibly one that manages a diverse range of funding contracts.

Community hubs and improved back-end integration

This submission argues that there is the potential to improve outcomes for clients by introducing “single access points” or community hubs, particularly in regional areas.

There is also the potential to reduce costs through co-location of NFPs and better back-end integration of functions such as IT. The Mid-West Network may be a potential site for a pilot program in this area.

Delivering on Priorities

Social data

This section of the submission reiterates WACOSS' call for better data about a range of social indicators in WA. This would assist Government, public sector agencies, NFP organisations and the community to better assess WA's progress.

Inadequacy of performance indicators

WACOSS believes that performance data reported by WA Government agencies should enable meaningful comparison of public sector agencies' performance over time, with other agencies, and across jurisdictions.

Modernising the Public Sector

The structure of the public sector

This submission advances the view that the WA public sector should be structured in such a way that enables Government agencies to work within the COAG National Reform Agenda and also work harmoniously with not-for-profit service providers. Illogical, inconsistent or historical quirks in the allocation of responsibilities between Departments should be given little credence. WACOSS also argues that any restructure should not undermine the unique character of certain sub-agency public sector entities such as the Office of Seniors' Interests.

The need for a centralised concessions unit

The administration of WA Government concessions is dispersed, ad hoc, inefficient and difficult to navigate for citizens. This submission advocates the centralisation of concessions as far as possible in one unit that would have cross-portfolio responsibility for the administration of WA Government concessions. WACOSS also advocates a streamlined

approach to applications for concessions, and the ability for citizens to apply for concessions through an outlet such as Australia Post.

Cooperation between public sector agencies

WA public sector agencies have a mixed record on their ability to cooperate effectively to fulfil a cross-portfolio policy aim. As a result, some areas of public policy that fall between portfolios, or span multiple portfolios, can be neglected. The lack of a coherent 'early years' agenda is an example of this. In this submission WACOSS advocates greater cooperation between public sector agencies.

Introduction

About WACOSS

The Western Australian Council of Social Service (WACOSS) is the peak body of the community service sector across Western Australia. Since 1956, WACOSS has been developing and strengthening the non-government community services sector's capacity to assist disadvantaged and vulnerable Western Australians.

The community sector plays an important role upholding the values and cohesion of our society. People turn to and trust our organisations for support when times are hard. We have proven ourselves to be flexible, understanding and effective in our capacity to help see individuals and families through, and out of, tough times.

With over 280 members, WACOSS has strong relationships with the social services sector and seeks to represent their interests, and those of the individuals and families they assist. Given this relationship, WACOSS is in a unique position to comment on issues in our society that impact upon disadvantaged members of the community.

WACOSS hopes that the principles expressed in this submission are of use to the Committee.

About this submission

This is the second submission that WACOSS has provided to the Economic Audit Committee (EAC). WACOSS' initial submission responded to certain terms of reference of the EAC. The submission focused in particular on the potential gains for the WA Government and community that could be obtained by contracting not-for-profit community service organisations to deliver a greater breadth and depth of services.

This submission responds to aspects of the EAC's discussion paper issued in July 2009. In particular, the Services to Meet Citizens' Needs section of the discussion paper raises a number of issues of relevance to WACOSS and the community services sector. This submission addresses the question of how best to build effective collaboration between the

WA Government, public sector agencies and not-for-profit organisations who deliver services. It also addresses the benefits and potential pitfalls of an 'individualised' approach to funding community services, and examines the question of how to foster social innovation.

The executive summary above provides a summary of the positions contained in this submission.

Acknowledgements

This submission was completed with valuable assistance from the WA Peaks Forum. WACOSS is particularly grateful for the contributions received from MercyCare, Volunteering WA, the Council on the Ageing (WA), Shelter WA, the Mid West Community Services Network, Bloodwood Tree, the Pilbara Association of Non-Government Organisations, the Peak Body of Women's Health, ConnectGroups, the Health Consumers' Council and Learning Centre Link.

Value for Money for the Right Reasons

The Committee's acknowledgement that "NFP organisations can offer innovation, closer contact with the community and better value for money"² reflects the view that WACOSS put forward in its first submission to the Committee. WACOSS is pleased to see the Committee apparently contemplate a greater engagement with the not-for-profit sector to deliver services.

However, the Committee must understand that Government treat engagement with the not-for-profit sector as merely an opportunity to reduce staff costs by outsourcing service delivery. Funding the delivery of services by not-for-profit organisations is more cost effective due to the sector's:

- access to philanthropy;
- ability to attract volunteers;
- tax concessions;
- connections with the community;
- ability to leverage assets (particularly relevant in areas such as social housing);
- less bureaucratic and more responsive management structures; and
- smaller administrative overheads.

Funding the delivery of services by not-for-profit organisations cannot be an opportunity to take advantage of lower wages in the community services sector. If the Economic Audit Committee is to recommend to Government that a greater proportion of community services is delivered via not-for-profit organisations, then it must also recommend that organisations receive sufficient funding to ensure their ongoing financial viability and their ability to pay fair wages to staff.

There is considerable evidence that employees in the community services sector in WA receive significantly lower wages and salaries than employees in other industries who perform work of equal or comparable value. The gap between work in the sector and comparable work elsewhere is often up to 30%. The WACOSS research paper *Close the Gap: Value Community Services* contains extensive research on this topic.

² Economic Audit Committee 2009, *Discussion Paper*, Department of Treasury and Finance.

The Economic Audit Committee cannot ignore the inequitable wages for the sector's staff if it is to recommend that Government works more closely with the sector. The sector is not in a position to participate in a reform of the model for the delivery of community services in WA unless funding for the sector improves. The gap between wages in the sector and wages for comparable positions in the public sector is unsustainable.

The problem will only become more acute if there is considerable outsourcing of services that are currently delivered by Government to not-for-profit organisations. Qualified, experienced staff are highly unlikely to be willing to accept a 30% reduction in pay to perform similar duties at a not-for-profit organisation.

Services to Meet Citizens' Needs

The relationship between Government and the sector

Government funding or subsidisation of charitable bodies in Western Australia has occurred since approximately 1830³.

A Compact

Proposals to deepen or improve the relationship between Government and the not-for-profit sector frequently include a 'compact' or formal statement of partnership of some kind. Compacts have been entered into in the United Kingdom and in other State jurisdictions in Australia. The current Commonwealth Government is pursuing a compact with the "third sector", and has issued a discussion paper on the topic⁴.

There has been a formal statement of partnership between the Western Australian Government and the non-government human services sector. The *Industry Plan for the Non-Government Human Services Sector*⁵ of 2004 (the Industry Plan') purports to commit Government and the sector to a common vision, goals and values.

The stated objectives of the Industry Plan included:

1. improving and strengthening the relationship between the State Government and the not-for-profit non-government human services sector, in line with the mutual goals of coordination, inclusion, collaboration and flexibility;
2. developing a whole of Government approach to issues of community consultation and engagement in social policy, program development and service delivery issues;

³ See Stannage, C. (ed) 1981, *A New History of Western Australia*, University of Western Australia Press, Perth; and Dickey, B. 1980, *No Charity Here – A Short History of Social Welfare in Australia*, Nelson, Melbourne.

⁴ Australian Government 2009, *Engage: A new relationship between the Australian Government and the Third Sector*, Consultation Paper. Available online:

http://www.socialinclusion.gov.au/Compact/Documents/compact_consultation_paper.PDF

⁵ Department of Premier and Cabinet 2004, *Industry Plan for the Non-Government Human Services Sector: Statement of partnership between the Western Australian Government and the non-Government Human Services Sector*, Government of Western Australia, Perth, Australia.

3. developing policies relating to the funding and purchasing of services such as sustainability, indexation, the management of growth, and the management of unmet need;
4. identifying strategies to build the capacity of the non-government sector to deliver services efficiently and effectively;
5. identifying strategies that contribute to the engagement and enabling of consumers and community members in the development of services to the Western Australian community.

WACOSS was a non-Government signatory to the Industry Plan, and continues to endorse the objectives and principles contained in the plan. However, few tangible improvements to the relationship between the Government and sector were obtained as a result of the Industry Plan. The Human Services Industry Roundtable was formed, but did not operate in an optimal way and has since been disbanded. An indexation policy was developed, which was a genuinely positive development, but various Departments have at times been reluctant to implement the policy, requiring a level of vigilance from the sector that does not accord with the Industry Plan's language of 'partnership'.

As a result of the ineffectiveness of the Industry Plan, there is considerable scepticism in the sector regarding the value of a compact. So, while WACOSS and the sector continue to advocate for a relationship with Government that is based on partnership and collaboration, there is limited support in the sector for a renewed Industry Plan or other form of compact. The lack of enthusiasm for a compact is also driven by the knowledge that forming a new compact would require extensive and lengthy consultation between Government and the sector, and that this not-for-profit organisations must devote valuable staff time to such consultation.

CASE STUDY: The proposed Commonwealth compact

A key misgiving in the sector regarding compacts is Government's failure to adhere to agreed principles.

For example, the current Commonwealth Government has placed a premium on the development of a national compact between the sector and Government. The Commonwealth has affirmed that it values the sector's contribution to public policy and service delivery, and has affirmed its intention to treat the sector as a 'partner. WACOSS has participated in the Commonwealth's consultations regarding a compact, which have been

conducted via ACOSS. These consultations have exposed a high degree of scepticism from not-for-profit organisations regarding a compact.

Not-for-profit organisations have reported that they are not being treated as partners. One example of poor treatment is in the transition from Job Network to Job Services Australia. Job Network service providers with excellent records and “four star” ratings were passed over for contracts under the new system, with little explanation given for their omission. A Senate inquiry has now been established to shed further light on this poorly managed tender process. The process was not run in a spirit of ‘partnership’.

Similarly, not-for-profit organisations have invested significant time and money developing tenders for the Commonwealth Jobs Fund, an aspect of the fiscal stimulus package. Potential tenderers were informed that proposed projects must be so-called ‘shovel ready’ by 1 July. Developing detailed plans for their proposed programs and devoting staff or consultants’ time to writing the funding submissions imposed a considerable cost on not-for-profit organisations. However, as at 14 August the Commonwealth is yet to release details of the successful tenderers, six weeks from the date when the projects were due to have commenced. There has been no communication with the sector to suggest when these details will become available. This is not the behaviour of a committed ‘partner’.

Although the sector is sceptical about the value of a compact, there may be value in developing a more rigorous, solid foundation for the relationship between Government and the sector. A new form of agreement would articulate shared principles, but also provide a mechanism for dispute or grievance resolution, for when a not-for-profit organisation or Government agency believes that another party has behaved in a manner that is contrary to the principles of the compact. A Government-sector agreement could also provide guidance to the management of outsourcing and contracts, in a similar manner to the *Funding and Purchasing Community Service: A policy statement on a fresh approach to funding and purchasing relationships with the not-for-profit sector*.

A Commission

Various jurisdictions have established charity or community service commissions, with responsibilities ranging from registration to complaints handling. A Charity Commission was established in the United Kingdom in 1993, with responsibility for supervision and support of charities, and oversight of accounting and reporting standards. The NSW Community

Services Commission was established in 1993 as an independent 'watchdog' body to investigate complaints about community services, be they delivered by Government or non-government organisations. A Commission also monitors and reviews the community services sector in Queensland. A key recommendation of the Senate Standing Committee on Economics' review of charities and not-for-profit organisations is the creation of a national Charities Commission⁶.

There has been discussion regarding the possible creation of a similar body in Western Australia. The Commission could fill several gaps in the relationship between the sector and the Government that are not filled by existing agencies, including:

- The management of a pre-qualification process for State Government funding, whereby the Commission would assess the viability of not-for-profit organisations. This would alleviate the need for not-for-profit organisations to provide detailed information about their organisation's viability for each grant or tender, and would correspondingly reduce the workload for contract managers in Government agencies.
- The collation of data from Government agencies that fund not-for-profit organisations. A wealth of information is provided by not-for-profit organisations to Government funding bodies about the programs they deliver. This information could be put to good use in policy and program design if the data did not remain disaggregated and dispersed among the bureaucracy.
- A dispute or grievance resolution mechanism to assist the relationship between Government and the sector. As detailed above, there is considerable scepticism in the sector regarding the value of a compact, unless there is to be some ability for not-for-profit organisations to ensure that Government upholds the principles it espouses. A Commission could have a role in this process.

WACOSS recognises that in the current budgetary and political climate, the Committee is unlikely to recommend the creation of a new Government agency without reducing the number of existing agencies. However, the functions outlined above remain worthy, and may be pursued by other means.

⁶ Senate Standing Committee on Economics 2008, *Disclosure regimes for charities and not-for-profit organisations*, Senate Printing Unit, Canberra. Available online:
http://www.aph.gov.au/Senate/committee/economics_ctte/charities_08/report/report.pdf

A system of pre-qualification, in particular, would have significant benefits for both Government and the not-for-profit sector. It may be appropriate that such a scheme is pursued as a pilot program within one funding body. Under such a program, a not-for-profit organisation would provide details of a financial audit on some regular basis (for example, every three years), and would satisfy the Government agency of its financial viability and appropriate governance. Once that process was complete, the not-for-profit organisation would not need to include such information on grant or tender applications with that funding body. This would vastly reduce red tape, and yield an efficiency gain on both sides of the Government-sector relationship.

A Consultative Mechanism

The Human Services Industry Roundtable (HSIRT) was a high-level forum for regular meetings between senior decision makers in Government and the public sector and senior representatives of not-for-profit organisations. While the HSIRT was perhaps not optimally designed, Government and the sector can both benefit from the existence of a high-level forum for communication and decision making. WACOSS advocates the formation of a replacement to the HSIRT.

A high-level consultative mechanism must have some assurance of longevity if it is to be perceived as important and legitimate by stakeholders within the public sector and the community services sector. If there is a 'roundtable' or committee, it ought to have a statutory basis spelling out how often it will meet and what its function are intended to be. It may also need a small secretariat. The HSIRT was not sufficiently entrenched, and has not survived a change of Government. Such turmoil in the structures that define the relationship between Government and the community services sector is not desirable.

Individualised funding

WACOSS supports the principle of empowering citizens, clients and consumers. A model for the provision of publicly-funded services that delivers more choice and autonomy to clients is welcomed by WACOSS. WACOSS does not oppose the notion of designing a system for funding social services that is more directed by clients' preferences than by Government or service providers.

Not-for-profit organisations in WA have some experience of individualised funding for community services. Since the 1990s, disability funding in WA has included a role for “local area coordinators”. These coordinators work directly with people with disabilities and/or their advocates and enable Government funding to be given directly to people. Funding for disability services has been re-imagined, with the services now responsive to the needs of individuals rather than individuals choosing from a fixed package of services⁷.

As a result of this change, service providers “have to learn how to work with, rather than do unto, service users” according to the Director General of the Disability Services Commission⁸ WA was the first state in the nation to introduce individualised funding within disability services⁹. Not-for-profit organisations in WA have also been involved in delivering services under the Job Network and Job Services Australia systems, which are based on a form of individualised funding.

NOTE: Usage of the term ‘individualised funding’

‘Individualised funding’ is used in this paper to refer to any program which is designed to create some form of market for community services in which clients are able to choose the service that suits them. WACOSS is aware that a distinction is made by the Disability Services Commission between ‘direct funding’, which includes a transfer of cash to individuals, and ‘individualised funding, which does not involve a direct transfer, but still devolves choice to clients. The underlying principle of both concepts is the same, they differ merely in their administration. The term ‘individualised funding’ in this paper therefore encompasses both forms of client-led community service provision.

CASE STUDY: The experience of not-for-profit Job Network providers

The experience of not-for-profit Job Network providers has been mixed. While many clearly support the notion of individualised funding for community services, and indeed may not

⁷ Chalmers, R. 2009, *Individualised funding: shifting control*, Address given to the Australian Public Sector Leadership Conference, Disability Services Commission.

⁸ Chalmers, R. 2009, *ibid*.

⁹ Chalmers, R. 2009, *ibid*.

exist or be involved in employment services if not for the advent of the Job Network, there remains many things that could be improved upon.

According to WACOSS' consultation with Job Network providers, organisations' concerns include:

- excessive 'payment points', up to 88 in the case of Job Network. This means that the payment to not-for-profit organisations is fragmented, and dispensed when clients meet particular 'milestones'.
- if a provider is allocated a specific market share then that cannot be exceeded even if there is demand. For example, if it is judged that a provider ought to have 20% market share, but 40% of clients wish to use their services, then half of the potential clients will not get their choice of service providers.
- referrals from Centrelink dominate the 'choice' process. Clients are frequently not aware of their own ability to select their service provider.
- Customer choice alone is not sufficient to guarantee quality; there have been numerous reports of Job Network providers 'churning' clients to maximise revenue. Government must regulate to ensure quality, but must not micro-manage or intervene in the processes of service delivery. This is a balancing act.
- The Job Network 'point in time capacity' assessment worked well. Under this system, the Department would assess the provider as being capable of servicing a fixed number of clients (say 200 job seekers). The provider was then able to engage sufficient staff to cater for that number of clients. However, was replaced by a 'market share assessment' in which service providers were allocated a percentage of job seekers in the area (if there were 1000 job seekers in the area, the provider would be allocated 20%). However, this undermined the ability to plan, as if the total number of jobseekers in the area changed then the organisation's client base may dramatically grow or shrink. This is an example of the relevant Department not adequately collaborating with service providers when it changed policy.
- The Job Network was originally designed with a 'continuum' of services that would become progressively available to the client at certain points in time, for example when they had been unemployed for 6, 12 or 18 months. The assistance to the client, and therefore the

funding to the service provider, increased at these points. However, this system has been replaced by one in which clients are assessed as having a particular level of 'need' at the outset of their relationship with the Job Network provider, and there is little scope to alter this assessment once it has taken place. If it becomes obvious that a job seeker is in need of intense, rather than low-level assistance, there is little scope to alter their needs assessment.

- There is also a pre-ordained allocation of clients to each 'stream' of needs assessment, and there is therefore an inclination to place people in streams to suit the macro-level requirements. In other words, if Centrelink has been determined that (for example), 20% of applicants in a particular area are expected to be 'high needs' then there is the potential for needs assessments to be shaped to suit that overall goal.

The move towards individualised funding of community services follows an era of uncertainty about the appropriate model for funding community services. The Funding and Purchasing Community Service policy of 2002¹⁰ recognised the inadequacy of a pure competitive tendering approach to funding community services. The then-Premier declared that "flexibility in funding arrangements, rather than a rigid adherence to competitive tendering, is vital to a successful policy relationship between the Government and non-Government organisations"¹¹. The Auditor General has observed that "a competitive tendering and contracting approach can consume undue amounts of community time and resources without significant benefit"¹².

No one mode of funding services, be it grants, individualised funding, competitive tendering or a 'restricted process' such as EOIs are immune from the potential for mismanagement or maladministration on either side. The EAC ought to beware of dogmatic approaches to funding community services that seek to 'solve' the dilemma of financial and contract management.

¹⁰ State Supply Commission and the Department of Premier and Cabinet 2002, *Funding and Purchasing Community Services: A policy statement on a fresh approach to funding and purchasing relationships with the not-for-profit sector*, Government of Western Australia.

¹¹ State Supply Commission and the Department of Premier and Cabinet 2002, *ibid.*

¹² Auditor General 2003, *ibid.*

WACOSS and the community services sector support the principle of empowering clients of community services. However, WACOSS and the sector it represents have concerns about the implementation of an individualised funding model.

These concerns include:

- a) the potential for 'cherry picking' of the most desirable clients by service providers;
- b) the implications of funding in arrears for not-for-profit organisations;
- c) the potential for individualised funding to destabilise not-for-profit organisations and undermine their certainty regarding future revenue;
- d) the implications for non-revenue generation activities of not-for-profit organisations, including advocacy and policy work;
- e) the dangers of a 'one size fits all' approach;
- f) the potential for 'mission creep' for not-for-profit service providers; and
- g) the dangers of providing insufficient support for clients to choose the services that are appropriate for them.

Some of these concerns are based on the experience of WACOSS members who have been funded to provide services under an 'individualised' model, such as the Job Network or WA disability services system.

'Cherry picking'

A system of individualised funding for community services may involve establishing some sort of market for these services, in which service providers would compete and clients would choose the services appropriate for them. This approach has many benefits. However, a key drawback is the potential for cherry picking, meaning that service providers may in one way or another come to specialise in providing services to clients whose service requirements are less complex. The design of a market for community services must include sufficient financial incentives for service providers to specialise in providing assistance to particularly clients with complex or severe needs, and must be sufficient to compensate the service providers for the additional cost of assisting such clients. If the market is not designed in this way then there is the very real danger that some citizens who are most in need of assistance may not receive adequate services.

Financial destabilisation of not-for-profit organisations

A more widespread adoption of individualised funding for community services would also have serious implications for the financial position and cash flow of not-for-profit organisations. As Professor Shergold has noted, "one citizen's flexibility and choice is a community provider's risk and insecurity"¹³.

The financial status quo involves not-for-profit organisations receiving large sums of money paid in advance at regular intervals, frequently quarterly, under the terms of a grant or contract or service agreement. An individualised funding model is likely to include funding in arrears for services delivered. The implications of such a change should not be underestimated.

The Auditor General found in 2000 that not-for-profit organisations were experiencing difficulties in managing the transition from grant-based funding to competitive tendering, and recommended that Government work with peak not-for-profit bodies to better manage the transition¹⁴. A transition to individualised funding models is likely to be at least as significant and disruptive for not-for-profit organisations as the movement from grants to competitive tendering was in an earlier era. The Committee, if it recommends individualised funding models, must give consideration to the transition process and the involvement of the sector.

Related to this is the potential for individualised funding to undermine not-for-profit organisations' ability to plan for the future, and thereby undermine their ability to offer ongoing employment contracts to staff. There has been a movement in recent years towards shorter and shorter service agreements and contracts with not-for-profit organisations, with 12 month agreements becoming more common.

This short-term funding commitment means that organisations cannot enter into long-term expenditure commitments, including the hiring of permanent staff, with any certainty about their revenue. The implications for the cash flow of not-for-profit organisations have been stark. The solvency of not-for-profit organisations is under perennial threat by short-term funding, and there is the potential for individualised funding to further erode the cash flow of service providers. Short term funding and unreliable revenue streams also undermine organisations' access to finance.

¹³ Shergold, P. 2008, *ibid*.

¹⁴ Auditor General for Western Australia 2000, *A Means to An End: Contracting Not-for-Profit Organisations for the Delivery of Community Services*, Report No. 3, Available online: http://www.audit.wa.gov.au/reports/report2000_03.pdf

Revenue instability and insecurity lead to an inability to hire permanent staff. This means that talented and qualified people may not be attracted to or retained by not-for-profit organisations, thus potentially undermining the quality of services. Individualised funding has the potential to exacerbate this situation by explicitly linking an organisation's revenue to the potentially volatile demand for its services. Community services cannot be managed under a 'just in time' model of industrial production, in which the factors of production lay dormant until they are needed to satisfy consumer demand.

Quality community service organisations require quality staff, and these staff demand some certainty to their employment. If the Committee recommends the widespread adoption of individualised funding for community services in Western Australia, it must give consideration to the need to provide organisations with some kind of revenue certainty over the medium-term.

Implications for policy work and advocacy

Individualised funding also has the potential to undermine not-for-profit organisations' ability to financially support non-revenue generating activities such as advocacy. If the Committee is to recommend a movement towards individualised funding arrangements, it must also recommend that funding bodies continue to provide grants or service agreements to support advocacy, policy work and other such activities.

Preserving diversity and avoiding 'one size fits all'

There is also the danger of a 'one size fits all' model for funding individualised services. The financial mechanisms that underpin individualised services can and should be varied. Citizens' needs can be met, and individuals' choices enhanced, in a variety of different ways. For example, a Job Network style system is founded on a referral from a Government agency, followed by retrospective financial transfers at specified points in the client-provider relationship. Other models include a Medicare-card style arrangement that more obviously resembles a market with which citizens will be familiar. The disability sector in WA has enabled a system of direct cash transfers to individuals, working through local area coordinators for disabilities.

A mid-way point may be a 'managed budget' approach in which clients and/or their representatives work with budget managers (who may be Government employees, or may

not be) to determine the most appropriate services for them and allocate their budget accordingly. This approach has been widely adopted in the UK.

The EAC should not pursue a one-size-fits-all approach to individualised services. Disability services, housing and homeless services, legal aid, youth work and the multiplicity of other community services provided in WA each have their own particular characteristics. Financial arrangements that may work well in one area may not suit another area. The Government must commit to collaborating with the sector to ensure that any move towards individualised services is done in a way that takes into account the diversity of community services and meets citizens' needs while encouraging social innovation.

Mission creep

There is also the potential for not-for-profit service providers to experience 'mission creep' with a market-driven approach to funding community services. Mission creep occurs when an organisation's raison d'être is undermined by the degree to which it shapes its activities around Government's requirements. Job Network providers have reported that this is a risk for them; organisations must be careful to retain their values and their relationship with the community.

There is the danger with individualised funding that service providers become too focused on clients as a source of revenue rather than as members of a community that the organisation exists to serve. Job Network providers have reported to WACOSS that not-for-profit organisations' empathy and engagement with its clients can be undermined by an individualised funding model.

Mission creep can be driven by not-for-profit organisations tailoring their activities to seek Government funding, rather than being driven by the community they work with and/or represent. However, mission creep can also occur when Government agencies impose contractual requirements on not-for-profit organisations that stretch the boundaries of the service that they have traditionally provided. For example, WACOSS members who provide accommodation services for adults have reported funding agencies gradually lowering the age of the clients the service provider is expected to assist. While this doesn't undermine the organisation's core values, it does significantly alter the way the organisation must be managed.

Support for clients in the market for services

If the Committee recommends individualised funding be adopted broadly in WA, it must also recommend that programs are designed with sufficient support for clients to choose the services appropriate to them. A 'market' for community services cannot function in the same way as the market for consumer goods. According to the Director General of the Disability Services Commission, "vulnerable people in our society... often do not have the wherewithal or the personal resources or networks of support that are needed to take advantage of the control and decision making which comes from direct funding from Government"¹⁵.

In order to ensure that vulnerable people are supported in the market for disability services, the disability sector in WA features local area coordinators. These coordinators work directly with people with disabilities or their carers or advocates, and help the client to plan his or her package of services that he or she wishes to 'purchase'. The United Kingdom also supports individuals to manage their personal 'care budget' in a similar fashion. Such support will be necessary in other areas of community services if individualised funding is rolled out. The lesson is clear: a community services funding model in which the service user exercises a degree of choice and control still requires that adequate support be made available.

The design of a system of support for clients who exercise choice in community services must also encompass sufficient checks and balances and oversight to ensure that clients are able to make the most appropriate choice for them. Individuals who manage clients' budgets, or assist them to do so, must be properly trained. Budget managers must be cognisant of the tension between the immediate services needed by a service recipient and their long term needs.

Social Innovation

The Committee has made it clear in its discussion paper of July 2009 that it supports the notion of working with the not-for-profit sector to improve or increase social innovation. WACOSS supports this goal, and has long advocated for a larger role for the not-for-profit sector in shaping policy and program design.

¹⁵ Chalmers, R. 2009, *ibid*.

Social innovation comes through two separate, but related avenues: one is the direct innovation in service delivery that comes about when service providers devise better ways to assist clients. Another is in the area of policy development and program design.

These two areas are necessarily symbiotic; the absence of the potential for not-for-profits to innovate as deliverers of services is unlikely to foster collaboration on policy. An environment in which not-for-profit organisations' voices are not valued in the policy development process is not conducive to innovation in service delivery.

Innovation in Service Delivery

Innovation in service delivery is only possible where Government funding arrangements specify the desired 'outcomes' and do not specify the processes to be followed or inputs to be used. Furthermore, funding that is too "close to the bone" will not facilitate innovation, as it will encourage risk aversion.

The primary means by which Government can facilitate innovation in service delivery is by taking a hands off approach to managing the processes of service delivery and instead confining itself to specifying desired outcomes. This too seldom occurs. A risk-averse public service can be overly concerned with avoiding potential negative outcomes, rather than fostering innovation, and can therefore interfere or micromanage the affairs of not-for-profit organisations that deliver services to the public. WACOSS is aware of contracts which specify the number of staff that are to be employed by not-for-profit organisations, the industrial instrument under which they are to be employed, and the salary increment under that instrument that they are to be paid. This level of prescriptive interference is not conducive to innovation in service delivery.

As Professor Shergold has recognised¹⁶, the shift from grant-based funding to competitive tendering has fundamentally changed the nature of the relationship between Government and not-for-profit service providers. With grant-based funding, not-for-profit organisations would identify community needs, formulate a program to suit those needs, and then convince a funding body to provide funds. Under competitive tendering, Government

¹⁶ Shergold, P. 2008, *Collaboration for the public good? The state and the third sector*, Speech, Spann Oration. Available online: <http://www.csi.edu.au/blog/collaboration-for-the-public-good-the-state-and-the-third-sector/>

determines the appropriate means to meet the community's needs, and then outsources the delivery of services. This shift from bottom-up to top-down program design has the potential to undermine not-for-profits' ability to innovate in service delivery.

Innovation in service delivery also requires that Government agencies responsible for funding service delivery must be flexible and responsive to new ways of delivering services. The requirements that not-for-profit organisations follow when seeking new funding are too often onerous, restrictive and overly bureaucratic. For example, the Auditor General¹⁷ found that organisations that are funded by the Department of Health must submit a 'business case' for new funding that established the need for the proposed program or service, identifies and compares alternative options, selects the preferred option, and develops strategies for implementation and evaluation. It is reasonable that these steps are followed to ensure that public funds are devoted to appropriate programs.

However, not-for-profit organisations may not be in a position to follow all these steps and present a complete business plan to the Department for each new type of funding it seeks. Smaller not-for-profit organisations may find this process particularly onerous, and it is smaller not-for-profit organisations who would otherwise be best placed to innovate in the area of service delivery.

WACOSS does not propose that the criteria for assessing funding proposals be loosened. Rather, it is suggested that the development of business plans for new streams of funding be worked on collaboratively by the relevant Department and the not-for-profit organisation in question. The traditional relationship between funding bodies and funded organisations is not conducive to innovation.

CASE STUDY: The potential for social innovation in community housing

In December 2008, the WA Treasurer announced the formation of the Social Housing Taskforce¹⁸. The Taskforce was asked to investigate strategies to increase the social

¹⁷ Auditor General 2003, *ibid*, p.5.

¹⁸ Buswell, T. 2008, *Taskforce to tackle lengthening public housing waiting list*, Media Statement. Available online:

<http://www.mediastatements.wa.gov.au/Pages/WACabinetMinistersSearch.aspx?ItemId=131031&search=social+housing&admin=Barnett&minister=Buswell&portfolio=®ion=>

housing stock in WA by 20 000 dwellings by 2020. A key strategy as part of such a large increase is likely to be the increased reliance on housing managed by not-for-profit organisations (“community housing”) rather than traditional public housing.

A key reason for the shift towards community housing is the ability for community housing providers to leverage their asset base to build additional dwellings. However, to achieve an increase in the social housing stock of the magnitude envisaged by the Treasurer will need sufficient community housing providers capable of handling the management of large numbers of properties.

As at August 2009, there are only 4 official growth providers. This is vastly insufficient. However, there are many small and micro community housing organisations, and there may be the potential for some of them to merge and/or form coalition arrangements in order to become growth providers and work with the Government to meet the target of 20 000 additional dwellings by 2020.

However, small organisations interested in growing will need assistance to develop business plans and effectively manage their transition from small, niche providers towards merged organisations or coalitions of organisations. Government must work to develop the community housing sector. This will involve a short term cost for Government but will yield long term efficiency gains.

There is also the need for Government to consider the role that smaller service providers play in devising innovative approaches to community service delivery. There is some tension, at least in the short run, between the EAC's stated desire to improve efficiency in public expenditure and the desire to encourage and foster social innovation. While large not-for-profit organisations may be able to deliver services more cost effectively, smaller organisations are often more nimble and responsive to changing community needs. Smaller organisations may be less restricted by bureaucracy and more able to innovate in the delivery of services. In the long run, such innovation will yield an efficiency dividend for funding bodies. In the short run, however, there may be an additional cost associated with a community services sector that has a large number of relatively small organisations. The EAC should be cognisant of the potential trade off between short-run efficiency and long-run innovation.

Innovation is needed in service delivery not just to deliver services in an efficient and cost effective manner, but to respond to evolving community needs. Community service providers in recent years have reported an escalating prevalence of clients with complex needs. In particular, the nexus between mental health issues and alcohol and other drugs has become more complex. To effectively deliver services to clients with complex and evolving needs requires innovation from service providers.

Innovation in Policy and Program Design

There is much to be gained from a more collaborative approach to formulating policy and designing programs for service delivery. Government can gain from the experience and expertise of service providers, and not-for-profit organisations can obtain improvements for the communities they work with and represent by being involvement in the policy process. A refurbishment of the relationship between the sector and Government is needed to enhance the possibility of effective participation in policy and program design.

Effective collaboration is required to ensure that not-for-profit organisations' experience and insight is used in the service design process. Outsourcing community services cannot take the form of a simple purchaser-provider procurement relationship as with other forms of outsourcing (cleaning or capital works, for example). Government erodes the very rationale for outsourcing if it does not collaborate with not-for-profit organisations in the design of programs.

CASE STUDY: Women's Health Resource Centre

This year without proper consultation, the Midwest Population Health manager withdrew support of the pap smear clinic by removing their pap smear nurse from the Womens Health Resource Centre in Geraldton. The nurse who delivered the program had for the past five years run two pap smear clinics per month.

According to Women's Health Services, *"The success of these services was enormous. A survey conducted with clinic attendees supports this. At present WHRC are applying for funding from various sources for this vital service to continue. When asked directly for reasoning behind their decision MW population Health called the move "service realignment"."*

Professor Shergold has noted that the structures of collaboration between not-for-profit organisations and Government “tend to maintain public service dominance. The real work of collaboration is generally done in committee or through secretariat, usually organised and dominated by the bureaucratic ‘host’”¹⁹. Even when there exists genuine good-will and a desire to collaborate as partners at high levels (for example, Ministers and CEOs of not-for-profit organisations), the collaborative relationship can be stifled at lower levels in the bureaucracy. In order to facilitate social innovation, the Government must make it clear to the public service that it regards not-for-profit organisations as partners in the policy process. Directors General of public sector agencies should be held accountable for (and rewarded for, where appropriate) their agency’s degree of effective collaboration with relevant not-for-profit organisations.

There are also gains to be made through the better management and coordination of data collected from not-for-profit organisations. Recipients of government funding must provide voluminous reports to funding bodies regarding the clients they’ve assisted. Unfortunately, this information is too seldom used for any effective purpose. Data collection from not-for-profit organisations appears to be regarded as part of a contract management ‘box-ticking’ exercise, rather than as a potentially valuable source of information about the community. Decision making at all levels could be enhanced through greater access to aggregated data from service providers.

In the section above dealing with proposals for a Charities Commission or similar body, it was proposed that some of the functions of a Commission could be undertaken by an existing public sector agency. One of these key functions is the better collection, management, collation and distribution of the information that is found in reports from not-for-profit organisations. This is a key strategy for the WA Government to pursue if it is to enhance the potential for social innovation.

There is also the potential for peak bodies to play a role in policy development and social innovation. Peak bodies have a key role to play in funnelling the expertise and experience of service providers into the policy process. Service providers may not have spare capacity to engage in detailed policy work or advocacy, and their disparate voices may be better represented by a peak body.

¹⁹ Shergold, P. 2008, *ibid.*

However, peak bodies appear to be under review. Various peak bodies funded by the Department for Communities and the Departments of Health and Housing have each been notified that their funding is being reviewed. Peaks have described the Departments as approaching these reviews in a “closed” manner, of not consulting with the peaks themselves, and of “not being very sensitive” towards peak bodies. While WACOSS acknowledges the Government’s obligation to review public expenditure to ensure that public funds are properly accounted for, any review of the role of peak bodies ought to be open, transparent, and subject to input from the sector itself.

CASE STUDY: The benefits of working with peak bodies

Peak bodies provide considerable benefit to Government, the community and service providers. They can be a conduit between the on-the-ground experience of service providers and the Government agencies responsible for administering Government policy. Peak bodies have an important role to play in policy design or review processes.

An example of a peak body that has provided valuable input to WA Government agencies is the Council on the Ageing (COTA) WA. COTA is Western Australia’s peak non-profit seniors’ organisation, representing the interests of all seniors in WA.

Various WA Government agencies gain valuable insight into seniors’ point of view and needs through consulting with COTA WA on a range of issues. For example, the Consumer Protection division of the Department of Commerce has recently conducted extended consultations with COTA regarding retirement village legislation amendments.

COTA has also worked with the Department of Health, Department of Housing, Department of the Attorney General and other agencies. COTA WA also recently provided a submission to WorkCover regarding age discrimination in the *Workers Compensation and Injury Management Act*.

Public policy in WA is enriched by the contributions of peak bodies like COTA.

CASE STUDY: Advocacy is important to the policy process

The Minister for Multicultural Interests has ceased various funding programs for peak ethnic organisations, and has created a new fund. Tenders have been sought for organisations wishing to represent ethnic communities.

However, the new fund only includes funding for service delivery, rather than advocacy or policy work.

Facilitating Innovation by Ensuring Financial Viability

The perpetually precarious financial state of many not-for-profit organisations undermines their ability to innovate in the delivery of services. The short-term nature of funding, and the general lack of assurance about future funding, undermines not-for-profit organisations' ability to plan for the future, and can encourage a 'risk-averse' posture that is not conducive to innovation.

Beyond changes in the approach to funding, Government can assist not-for-profits to become more financially secure and therefore more able to innovate by introducing a low-interest loans scheme. Not-for-profit organisations, particularly small organisations, are often unable to secure large commercial loans that are needed for expansions. WACOSS advocates the development of a low-interest loans scheme that would enable not-for-profit organisations to develop their capital base, facilitate expansion, and secure ongoing financial viability.

Red Tape, Regulation and Burdensome Contracts

In its July 2009 discussion paper, the Economic Audit Committee acknowledged that the not-for-profit sector is frequently burdened by red tape and excessive regulation. WACOSS welcomes the Committee's commitment to reduce red tape for the not-for-profit sector.

There are a number of examples of excessive or duplicative regulation that affects the not-for-profit sector. For example, the multiplicity of working with children checks that a not-for-profit organisation must obtain in order to place volunteers in school. While the principle of mandating a check of people who work with children is universally supported, there is no need for the number of duplicative schemes that currently exist.

The Working with Children (WWC) Check administered by the Department of Child Protection, which is mandatory for all employees or volunteers who work with children, is generally regarded to be a well-administered scheme.

Once a person has obtained a WWC Check, it remains valid for three years and is portable across employers. This is particularly valuable for volunteers, who may wish to volunteer for a number of organisations. Furthermore, the check remains 'active' in that the employer will be notified if the individual commits a relevant offense during the time that the WWC card remains active. This is in contrast to other checks, such as a police clearance, which only certifies that a person has been checked at the particular time when the check was carried out; an offense could be committed immediately afterwards and the employer need not be notified.

However, it is in the overlap between the WWC check and other checks that not-for-profit organisations face burdensome regulation. For example, a not-for-profit organisation who wishes to place volunteers in schools must obtain a WWC check from the Department of Child Protection, a separate check from the Department of Education, and a police clearance. The organisation who wishes to engage the volunteer thus faces three separate application fees and three sets of paper work in order to obtain three different forms of certification that seek to do the same thing. Organisations therefore choose not to engage the services of the volunteers. The not-for-profit organisation, the school, the volunteer, the children and the community at large all miss out.

CASE STUDY – Duplicative working with children checks

Not-for-profit organisations who wish to place volunteers in school must obtain up to three different forms of certification for the volunteer. The direct and indirect costs (in staff time and administration) that this entails means that it is frequently not practical to place volunteers in schools, even if the school wishes to have them there.

Here is the cost of three working with children checks that are required in the WA state education system:

Working with Children Check – Department for Child Protection

\$50 for self employed and paid workers

\$10 for volunteers

Valid for 3 years

National Criminal History Record Check – Department for Education and Training

\$33 regular

\$10 volunteers

Federal Police Check

\$43 for government departments and individuals

\$49 for non-government organisations

\$105 for fingerprint and NPC where fingerprints are supplied to AFP on application

\$145 for fingerprint and NPC where fingerprints are taken and processed by AFP

There are clear examples of burdensome or duplicative regulation that affects the not-for-profit sector, such as the case of duplicative working with children checks given above. However, the key way in which the sector is burdened by red tape is through contract management.

CASE STUDY: Bloodwood Tree

Bloodwood Tree Association manages a number of programs, including the Aboriginal Community Patrol Program for the Department of Indigenous Affairs. As part of this program, patrol officers must complete seven different worksheets outlining each incident and daily activity schedule.

Funding for the program is only \$180 000 per year, yet the reporting requirements are excessive.

The Auditor General's findings in his 2000 report into contracting not-for-profit organisations remain sadly relevant today.

The Auditor General's found that:

- contracts “often fail to adequately define the key attributes of the service/output being purchased”;
- “where the price to be paid by government is not intended to cover the full cost of service provision, government contracts for the delivery of community services often fail to adequately specify the scope of government's purchase price”;

- not-for-profit organisations had “problems when seeking additional information from government agencies to support the development of tender applications;
- government tendering decisions were not communicated to not-for-profit organisations in a timely manner;
- “not-for-profit organisations experience difficulties in obtaining adequate post-tender feedback”;
- there were concerns about the skills of contract managers and the turnover of staff in these positions;
- contracts for the delivery of community services “often contain penalties for poor performance, but rarely include rewards for high performance”;
- “the majority of government contracts for the delivery of community services run for a short period of time (often 12 months). This hampers the ability of organisations to achieve efficiency gains and threatens the continuity of service delivery”²⁰.

Nearly a decade on from this review by the Auditor General, many of these problems remain.

CASE STUDY: Non-standardised approach to financial reporting

An oft-maligned problem associated with Government funding contracts is the lack of consistency in the reports required by different funding agencies.

For example, one WACOSS member reports that their grant acquittals to the Department for Communities must include GST, whereas other acquittals are completed without GST.

Another WACOSS member (Bloodwood Tree in the Pilbara) receives funding from ten different State and Commonwealth funding bodies, yet all these contracts and grants do not use standardised financial terms and reporting formats. This imposes a considerable administrative burden.

WACOSS understands that COAG is seeking to address this issue through the Business Regulation and Competition Working Group. Representatives from the Working Group have consulted with WACOSS, and WACOSS is an advocate of standardised financial reporting and a standard char of accounts.

²⁰ Auditor General 2000, *ibid*, pp.9-10.

One strategy to reduce the administrative burden on not-for-profit organisations that is imposed through funding contracts would be the implementation of a 'pre-qualification' system for obtaining funding from Government. As noted in a previous section, under such a program a not-for-profit organisation would provide details of a financial audit on some regular basis (for example, every two years), and would satisfy the Government agency of its financial viability and appropriate governance. Once that process was complete, the not-for-profit organisation would not need to include such information on grant or tender applications with that funding body. This would vastly reduce red tape, and yield an efficiency gain on both sides of the Government-sector relationship. The pilot needs to be undertaken by one government funding agency that manages a considerable number of grants to not-for-profit organisations.

CASE STUDY: The cost of applying for grants

The WA Council on the Ageing (COTA) reports: *"For organisations that don't get any core funding (like COTA WA), there is a constant need to seek project and other funding. In our case, we have to employ a person approximately 0.5 FTE to do that – at a cost of around \$30 000pa. If we added reporting and compliance costs for the multiple grants that we receive, the full cost would be 1 x FTE or about \$60 000pa plus operating costs"*.

Community Hubs

Improving Citizens' Access to Services

Community hubs involve the co-location of community services. Hubs can assist citizens by taking complexity out of their lives and minimising transport difficulties. Rather than having to negotiate a disparate, confusing array of community service providers, clients have a "one stop shop" for community services. The ability to access services is especially enhanced for those living outside the metropolitan area. Here, the case may be made even more strongly for community hubs to exist.

A cost-effective way to introduce many of the benefits of community hubs at lower cost is through single entry points. A single entry point could be a hotline or shopfront (or both) for community services in a regional centre, which would serve as a base for referrals to service providers.

Services should be accessible by phone, the Internet, and face to face, Statewide. It should not matter whether you are facing relationship difficulties, need emergency relief, have a child with a disability, are facing eviction, or are dealing with a mental health or drug and alcohol issue.

Delivering Efficiency through Better Integration

There can also be gains for not-for-profit organisations through co-location, particularly where efficiencies are gained through back-office integration or other forms of co-operation. There is considerable potential for not-for-profit organisations to share back-office functions such as IT, HR and payroll, finance, reception and other functions. This is particularly the case in the regions and in outer-suburban areas. Government should consider working with the sector to explore a pilot program for community hubs or integrated service provision in a regional area.

POTENTIAL PILOT PROGRAM: Community hub in the Mid-West

Geraldton and the Mid West has numerous small and large non-profit organisations providing an array of social services to people experiencing disadvantage. Due to the current funding model many of these are based in regional centre with a mandate to provide outreach services throughout the region.

The region has many small not-for-profit organisations who are struggling to stay financially viable. An opportunity to capitalise on economies of scale through back-end integration would yield significant benefits for these organisations.

Government outlay on a pilot program to better integrate community services in the Mid West would likely only need to be modest to yield considerable efficiency gains in service delivery in the region.

Delivering on Priorities

Policy makers should have access to the information necessary to assess the community's need for services. Government should have data to assess the outcome of policy. The community should have access to information to assess the efficacy of Government policies. Individual government agencies should report information in a way that is meaningful and enables comparison across time, across portfolios and across jurisdictions.

The principles stated above are likely to be universally supported by everyone with an interest in public policy, yet there are deficiencies in the collection, collation and reporting of data and information.

Information regarding service providers

There is a need for decision makers and policy developers within the Government, public sector and the community to have access to good quality data that tracks the wellbeing of Western Australians across a collective group of social indicators. In recent years the lack of access to such information has compromised the quality and integrity of social policy development and resource allocation. For example, the most recent and reliable estimate of the number of organisations working in social service delivery in WA is ABS data which has not been updated since 1999-2000.²¹ It suggests that there are 894 such organisations. WACOSS considers this to be vastly inaccurate 8 years on, as the National Roundtable of Nonprofit Organisations suggests there are around 18,200 organisations delivering social services nationally. We estimate at least 8-10% of those would be operating in WA.

The lack of accurate data concerning the numbers of service providers, and the extent of need for services, is a barrier to improving the wellbeing of civil society. In order to move forward on addressing the range of social inequalities, which the Government and community are committed to redressing, we must improve our baseline understanding of where we are at, how we are performing, and establish a commonly used approach to tracking our improvements over time.

Social data

²¹ *ABS Community Services Report 1999-2000*

WACOSS has advocated increased use of social performance reporting in WA. This would encompass a greater focus on the outcomes of Government policy and agencies' activities, rather than mere outputs.

The current lack of a shared understanding of how we measure social wellbeing, of where the cracks are and who is slipping through them, is astounding. We need to know all the pieces of the jigsaw, which ones are already in place and what is missing, in order to pull together a complete picture of the Western Australian community. Only then can we work strategically, efficiently and in a well-targeted way to improve social wellbeing. This initial and relatively small investment can lead to profound benefits, and start the process of social performance reporting for WA.

EXAMPLE: Regional cost index

The Department for Local Government and Regional Development's *Regional Price Index* provides detail on costs in various regions, but is based on metropolitan expenditure patterns, therefore understating the costs faced by consumers in rural, regional remote areas (RRR WA)²². The lack of data available about expenditure patterns in RRR WA is hampering the ability to make informed decisions about necessary resource allocation outside the metropolitan region.

The regional cost index, if properly conducted, could also be of use in formulating contracts with regional service providers. The cost index ought to measure the additional costs associated with providing services in regional areas, and this additional cost should be reflected in Government funding.

Inadequacy of performance indicators

Government are becoming increasingly focused on the outcomes of policies, rather than mere outputs. In order to reflect this shift, performance information must be related to tangible issues of importance to the citizenry, such as reductions in homelessness or

²² Department of Local Government and Regional Development. (2007). *Regional Prices Index 2007*. Online at http://www.gsd.c.wa.gov.au/File_Manager/documents/rpi_final.pdf

poverty. Without an explicit link to tangible outcomes, the reporting of performance information is a mere technical exercise with no meaningful consequences.

Performance information should be explicitly directed towards answering key questions. For example, van Schoubroeck suggests that performance information should answer key questions such as:

- What did government achieve with the dollars spent?
- Did the government do what it said it was going to do?
- Did the government progress towards achieving its goals?²³

The range of currently available performance information does not adequately answer these questions. Furthermore, 'achievement' must be defined in terms of the impact of Government's impact in the community, rather than merely itemising expenditure. It is currently too difficult for stakeholders and citizens to adequately assess the Government's achievements and progress towards its stated goals.

CASE STUDY: Inability to assess the efficacy of publicly-funded research institutes

There are numerous medical research institutes in Western Australia. These institutes perform important work, but the Health Consumers' Council believes that such institutes do not always represent the best use of public funds. It is difficult to assess the efficiency and effectiveness of these institutes. The Health Consumers' Council advocates a review of funding for medical institutes to examine areas where funding could be redirected towards other areas of the health system.

The collation and reporting of performance indicators is not standardised in the manner of financial reporting²⁴. Data reported by Government agencies should be "useful to stakeholder, especially Government, Parliament and the community to whom they are ultimately accountable"²⁵. To achieve this goal, performance information should be clear, comprehensible and standardised. It should be reported in a way that ensures that

²³ van Schoubroeck, L. 2008, *ibid*.

²⁴ van Schoubroeck, L. 2008, *Key Performance Indicators: Where are they now?*, Office of the Auditor General, Perth, Western Australia. Available online:
<http://www.audit.wa.gov.au/pubs/KPIs%20Where%20are%20they%20now%20paper%20LVS%20%282%29.pdf>

²⁵ van Schoubroeck, L. 2008, *ibid*.

performance can be compared across agencies, with other jurisdictions and over time. WACOSS advocates an approach that is more transparent, and more directly linked to tangible outcomes for citizens.

WACOSS also advocates greater transparency regarding public expenditure, particularly with regard to politically-mandated reductions in expenditure. WACOSS recognises that the itemisation of the 3% efficiency dividend in the 2009-10 Budget papers was intended to provide clarity and transparency regarding agencies' expenditure reductions. However, the information provided remained scant and the level of detail was inconsistent across agencies. For example, the budget for the Department for Communities indicated that it was meeting its 3% efficiency dividend through, in part, "staffing efficiencies" and "reductions in non-government sector payments"²⁶. Insufficient information is provided about either of these line items to assess the impact of the expenditure reduction on the level and quality of services to the community.

²⁶ Government of Western Australia 2009, *2009-10 Budget: Budget Statements, Budget Paper No. 2, Vol.3*, p. 794. Available online: http://www.dtf.wa.gov.au/cms/uploadedFiles/State_Budget/Budget_2009_2010/2009-10_bp2_Vol3.pdf

Modernising the Public Sector

The structure of the public sector

As stated in the first WACOSS submission to the Committee, WACOSS advocates a review of the current structure of government agencies in order to ensure that their structure best meets the needs of the WA community.

WACOSS suggests that the following principles be taken into account when reviewing the structure of government agencies:

- Unnecessary duplication of Departmental portfolio responsibilities should be avoided as far as possible;
- Government agencies should be structured in such a way to facilitate relationships with the not-for-profit community services sector, enabling efficient sharing of data and information and well-managed funding relationships;
- Government agencies should, as far as practicable and appropriate, be structured in such a way to facilitate the implementation of the National Reform Agenda of the Council of Australian Governments;
- Possibilities for efficiency gains through inter-Departmental synergies should be explored²⁷.

WACOSS continues to believe that the principles stated above should underpin and restructure of the public service. If the Committee chooses to recommend a restructure of any Department or Departments, WACOSS also advocates an approach that involves collaboration with stakeholders including not-for-profit organisations. Various units, Directorates and Divisions of public sector agencies have been established to serve particular functions or sub-sets of the citizenry. For example, there are units with an emphasis on working with and for particular groups such as young people, seniors, and women. Any reorganisation of such units must not undermine the vital roles they play.

EXAMPLE: Medical research institutes

²⁷ Senate Standing Committee on Economics December 2008, *Disclosure regimes for charities and not-for-profit organizations*, Commonwealth of Australia, Canberra. Available online:

http://www.aph.gov.au/Senate/committee/economics_ctte/charities_08/report/report.pdf

WACOSS supports research

The need for a centralised concessions unit

WACOSS advocates the establishment of a centralised concessions unit. This would provide streamlined access for citizens to claim concession to which they're eligible, and would have the potential to reduce duplication and therefore improve efficiency in public sector agencies that manage concessions.

A centralised rebates and concessions unit would allow consumers to access all their relevant entitlements through one simple application process, rather than having to apply to a number of different government departments. Under this arrangement a consumer could complete one application form containing all the details required by Government in order for them to be assessed as to their eligibility for all current rebates and concessions.

The application form would request information regarding the consumer's personal details such as their name, address, phone number, date of birth, relationship status, health status, number of dependent children, ethnicity, income source and details including which pension/concession card they may hold.

It is common for consumers to be assisted by consumer representatives; such as financial counsellors, to complete rebate application forms. The centralised application form should allow for this through the inclusion of an authority section, which a consumer can sign allowing a consumer representative to act on the consumer's behalf.

There are a number of current electricity concessions, such as the Life Support Equipment Energy Subsidy and the Thermoregulatory Dysfunction Energy Subsidy Scheme that require medical documentation to be presented before eligibility for the subsidy will be considered. This can become a barrier to consumers applying for these subsidies as it can often be difficult for consumers to access a medical professional in order to complete the documentation required. WACOSS recommends that a centralised application form should provide an option for the consumer to sign an authority giving consent for the Centralised Unit to follow up with the consumer's medical practitioner regarding their medical condition and eligibility for the above subsidies. The Unit would be more aware of the detail of the

subsidies and would be in a better position to explain these subsidies to medical practitioners.

Upon receiving this application form, the centralised rebates and concessions unit would use the information contained in the form to consider the applicants eligibility for all current rebates and concessions. The unit would notify the consumer or consumer representative of the rebates or concessions that the consumer is entitled to and would commence each entitlement for the consumer directly with the relevant retailer or provider. Citizens should be able to apply for concessions in a 'one stop shop'; either through a 'community hub' or through an existing institution such as Australia Post outlets.

The WA Government already uses Australia Post for to assist with delivering the Country Age Pension Fuel Card. Australia Post has the technical capacity and breadth of locations to be an appropriate partner in the delivery of unified concessions program. Australia Post outlets also lack the stigma associated with attending explicitly welfare-related agencies such as Centrelink.

Greater Cooperation Between Public Sector Agencies

A lack of high-level policy co-ordination has meant that some policy issues slip through the cracks of Departmental responsibility. This is particularly the case when cross-agency cooperation is required for effective policy action. The Auditor-General of WA has noted that cross-agency collaboration and cooperation has been a notable weakness of the WA public service. This must improve if citizens are to be adequately served by their Government.

EXAMPLE: Inconsistent regional boundaries

It is a source of frustration for service delivery agencies and researchers not to be able to apply common geographical regional analysis to departmental performance and service provision particularly in the areas of responding to homelessness, improving education and training, holistic wrap around support to children and young people at risk or who experiencing homelessness and cross-department service delivery such as housing support and community mental health care.

Consistent regional boundaries would address many of the disconnects for individuals and families with multiple support needs or those who are in contact with a number of agencies.

It would also allow researchers to more accurately understand the range of services in an area and allow for better partnerships between government departments and between government and non-government.

A 'tragedy of the commons' can develop with regard to policy areas that transcend particular bureaucratic 'silos'. For example, early intervention and prevention of social problems, or the notion of an 'early years' agenda. These are policy areas that span portfolios and Departments; if policies are properly developed and implemented then they will have wide-ranging benefits. The problem is that implementing particular programs necessarily allocates a budgetary cost and responsibility to a particular Department (Police, Health, etc). As a result, areas that are not within the specific ambit of a Department tend to be ignored. The example of the lack of co-ordination of the 'early years' policy is evident in the calls of the Commissioner for Children and Young People for the establishment of an Office of Early Childhood. This call has been echoed by countless services providers in the community services sector. The perceived need for such an Office arises from the belief that relevant existing agencies have failed to work together effectively.

Areas that require effective cross-Departmental cooperation, or which require concerted action over the long term, can be seen as lower order priorities than issues which are clearly within an individual Department's ambit, or areas in which action has an immediate, tangible outcome. There is a need for more high-level policy making, informed by grassroots experience. Not-for-profit organisations are well placed to make connections between seemingly disparate areas of public policy. Better collaboration between public sector agencies will be strengthened by better collaboration with non-Government service providers.

Conclusion

WACOSS wishes to thank the Committee for the opportunity to provide additional input into its deliberations. WACOSS takes the issue of improving public services for citizens very seriously, and shares the Committee's concern with ensuring that public funds are used appropriately. We trust the Committee will give due consideration to our recommendations.

WACOSS looks forward to continuing to work with the Committee and the WA Government to improve the sustainability and viability of community service organisations and deliver improved service outcomes for the citizens of Western Australia.