Family Relationship Services
A U S T R A L I A

Submission to the Productivity Commission Research into the Contribution of Nonprofits:

Supporting Families and the Wellbeing of Children

May 29, 2009

About Us

Family Relationship Services Australia (FRSA) is the national peak body for community organisations delivering services to families, children and young people across Australia. FRSA and its member organisations seek to work in partnership with the Federal Government to strengthen and support Australian families. FRSA's vision is for an Australian society that is enriched through respectful relationships in all of their diversity. In the achievement of this vision, our role is to support the delivery of quality services and engage in the development of public policy.

Full membership of FRSA is available to organisations that receive funding from the Federal Government to deliver services funded through the Family Relationship Services Program (FRSP). Associate membership is available to a broader scope of organisations and individuals that support the vision and values of FRSA. FRSA currently has 137 organisation members. In addition to the financial support of members, FRSA receives Federal Government funding through the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) to provide industry representation and support.

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Table of Contents

1 Executive Summary

Family Relationship Services Australia (FRSA) is the national peak body for community organisations that deliver relationship and family support services. The focus of our submission to the Productivity Commission is the contribution of the community sector to the wellbeing of children and families. Though we recognise that our membership is diverse and many of the issues raised in this submission will have a broader resonance.

The family support sector is vibrant, innovative and resourceful. It is characterised by organisations that are focused on a mission to achieve social change. Some of these organisations have been part of the Australian landscape since before Federation; others have formed more recently in response to emerging community needs or a newly defined cause. All contribute value to our society that warrants recognition and support.

One of the difficulties in measuring the contribution of community organisations working with children and families is the lack of reliable measures of child and family wellbeing. More work is needed to develop credible indicators for assessing the quantum of achievement across multiple programs. There is also an opportunity to combine the development of such measures with more sophisticated approaches to measuring Social Return on Investment (SROI) to capture the value of activities undertaken by community organisations, including but not limited to the delivery of government funded services.

It is timely to review the contribution of the sector and identify the driving and restraining forces that impact on the effectiveness of organisations. As highlighted in this submission there are some excellent examples of innovation and collaborative practice that demonstrate the possibilities. There are also some clear areas of need, including the need to address workforce issues and inequities in regulation.

On behalf of our member organisations, FRSA welcomes the Productivity Commissions Review and the opportunity to contribute. We can readily provide more information on any of the issues or examples contained in this submission and have also encouraged member organisations to make submissions and participate in consultation events.

1.1 Summary of Recommendations

1. Adopt the terminology of 'community organisations' and the 'community sector'.

2. Methodology and resources be developed to better recognise the contribution of community organisations including measures of societal change, particularly in relation to improvements in child and family wellbeing.

3. Confidence in community organisations be recognised as a valued asset to be considered in policy and program decision-making.

4. Recognise advocacy and representation as legitimate activities that enhance civil society and deserve public support/investment.

5. The Federal Government commit to a principle of fair remuneration levels in the community sector and address current inadequacies through systematic review of funding levels and performance requirements across programs.

6. Invest in tertiary scholarships and vocational training to increase the supply of qualified practitioners able to work in the family services sector.

7. Value and protect the sustainability of community organisations by reducing restrictions on the use of funding and recognising the full cost of service delivery.

8. Adopt a broad definition of Social Enterprise and develop measures of Social Return on Investment suitable for use by Australian community organisations delivering positive social outcomes through a diversity of income generating activities.

9. Recognise and reward innovation in funded community service programs by fostering the conditions that support innovation and building flexibility into funding agreements.

10. Remove barriers and disincentives for the efficient use of funds from funding agreements and take a long-term view in funding relationships.

11. Develop a fairer approach to Intellectual Property in funding agreements for family and community service programs.

12. A joint taskforce comprising of representatives of Commonwealth and State/Territory Governments and representatives from the community sector be established to design a new optional company structure for community organisations that has appropriate reporting and accountability requirements.

13. Develop a new national regulatory framework for community (nonprofit) organisations to encompass corporate and taxation regulation that is proportional to the size and activities of organisations including community impact and risks.

14. That the diversity of the community sector is valued and supported through investment in collaborative initiatives.

15. Develop reasonable and consistent funding regulation to be applied across Australian Government funded programs based on agreed principles of transparency, value for money and risk management.

16. Develop models of funding allocation based on respect, partnership and collaboration to address local need.

17. Adjust the formula for annual indexation of FRSP funding to align with real cost increases in service delivery.

18. Ensure funding models recognise the higher costs associated with the delivery of services in regional, rural and remote areas with capacity for services to receive funding adjustments in response to local cost pressures when appropriate.

19. That program administrators be encouraged to work in partnerships to develop principles for program governance, aligned to the national compact.

2 Our Focus

Family Relationship Services Australia (FRSA) is a network of nonprofit or community organisations that deliver relationship and family support services. The FRSA membership reflects the diversity of the broader community sector. Within our membership we have faith-based and secular organisations, large organisations that receive substantial funding (>$10M in FRSP funding) as well as small organisations receiving small amounts of funding (as little as $50,000 in FRSP funding).

Many FRSA member organisations deliver a range of services funded through a mix of government programs, philanthropic and social enterprise activities while others specialise in specific service delivery (eg relationship education) or work with communities defined by region or cultural background. A list of member organisations is provided in Section 9 of this document, a more comprehensive service directory is available on our website: www.frsa.org.au.

The focus of our submission to the Productivity Commission is the contribution of the community sector to the wellbeing of children and families. While many of the issues have a broader resonance, the role of FRSA is representation specific to the issues impacting on the delivery of services to families; this is where our expertise can best inform the Commission's research study.

2.1 Terminology

FRSA prefers the terminology of 'community organisations' that collectively form the 'community sector' rather than 'nonprofit'. Using the term 'community organisation' positively identifies what organisations are rather than what they are not (eg 'not for profit' and 'nonprofit'). This better recognises the defining feature of being community and people focused – organisations embedded in the communities where they were created through their mission and core activities as well as their membership and governance structures. The term 'community' has broad meaning encompassing geographic communities as well as communities of people with a shared interest or cultural identity.

The term 'community sector' is also preferable to the terms 'voluntary sector' and 'charity sector' because it is more inclusive – capturing the contribution of paid professionals, volunteers, members, donors and sponsors and encompassing the diversity of purposes for which organisations have formed.

> **Recommendation 1: Adopt the terminology of 'community organisations' and the 'community sector'.**

3 Measuring the Contribution of the Not for Profit Sector

3.1 Outcomes for Children and Families

Investing in family and relationship services makes social and economic sense. The links between family relationship breakdown, poverty, socioeconomic disadvantage and homelessness are multifaceted and well documented[1].   Family breakdown and family violence contribute to the growing number of people needing emergency accommodation[2] as well as increasing the risk of depression, suicide, drug/alcohol misuse and unemployment amongst adults. Children affected by parental separation also have an increased risk of disadvantage. Differences have been reported for social and emotional behaviour in childhood; educational and adult socioeconomic attainment; aggressive and antisocial behaviour and delinquency; substance abuse; mental health in adolescence and adulthood; and family and intimate relationships.

In 1998 the House of Representatives Committee on Legal and Constitutional Affairs noted that the cost of marriage breakdown to the broader Australian community was $2.7 billion per annum and this was considered a 'conservative estimate'[3].

The negative impact of separation and family breakdown on children is often associated with inter – parent conflict both before and after separation[4].   Indeed the degree of conflict in the co-parental relationship to children's adjustment post-separation and that unresolved, enduring parental conflict can violate children's core developmental needs and threaten their psychological growth.

The risk of negative impact on both adults and children can be mitigated through the provision of support services before, during and after separation. Post-separation services (family counselling, dispute resolution and post-separation parenting supports) work with families to reduce conflict, assist decision-making and prioritise the needs of children. Where these services help families to navigate difficult transitions safely and without recourse to costly, adversarial legal processes they are significantly cost effective.

Investment in early intervention services including relationship education and targeted programs yield longer term benefits that are more difficult to quantify.   However, there is a growing body of research on effective approaches to strengthening family relationships and increasing the capacity of parents to care for children.

Program and service evaluation research over the 40 year history of Federal Government investment in family relationship services have consistently identified the benefits to individuals, families and the broader community, particularly in relation to tangible improvements in relationships, cooperation between parents (both together and separated) as well as parental competency.   The most comprehensive studies tend to be large scale program reviews such as:

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[1] See for example Brotherhood St Laurence (2006)

[2] AIHW (2007) pg 263; SAAP IV Evaluation Report (2004) pg 45: 11% of individuals across all clients groups reported relationships of family breakdown; 22% of women under 25 reported relationship or family breakdown and 17% of men under 25 reported relationship or family breakdown.

[3] FaCS & AGD (2004) pg 40.

- The *Evaluation of the Family Relationship Services Program*, Department of Families and Community Services & Attorney-General's Department (2004).
- The *Evaluation of the Stronger Families & Communities Program*, Social Policy & Research Centre being undertaken for the Department of Families, Housing, Community Services and Indigenous Affairs (completed – expected release imminent); and
- The *Review of the Family Law Reforms* being undertaken by the Australian Institute of Family Studies for the Attorney-General's Department (current – due for completion Sept 09).

While useful, program evaluations tend to focus on the quality of the service delivery and client satisfaction rather than the broader contribution of the program or sector to social and economic outcomes. They are also often limited to measuring the impact of government investment or policy decisions and may not capture the contribution of provider organisations and local communities.

FRSA believes that more could be done to better capture the contribution of community organisations in program evaluations and research, including:

- Recognise the value of community organisation contributions success such as goodwill, community profile, volunteer support and existing cross-agency linkages;
- Identify community ownership, empowerment and local decision making as valuable outcomes in their own right;
- Identify connections between programs – i.e. the impact of family support programs on school attendance, how relationship education can assist job retention etc; and
- Accurately assess service costs and organisation contributions – there is a tendency to ignore the contribution of governing bodies, volunteers, infrastructure and look only at direct costs associated with the delivery of a specific service or program.

One of the difficulties in measuring the contribution of community organisations working with children and families is the lack of reliable measures of child and family wellbeing. While economic measures have become more and more sophisticated our capacity to reliably measure societal characteristics such as social inclusion, social capital and family/household or individual wellbeing is more rudimentary. More work is needed to develop credible indicators for assessing the quantum of achievement across multiple programs. This would also create the potential for allowing organisations and communities to use resources more flexibly to achieve societal level outcomes such as enhanced child safety or improved food security for low income families.

> **Recommendation 2: Methodology and resources be developed to better recognise the contribution of community organisations including measures of societal change, particularly in relation to improvements in child and family wellbeing.**

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[4] Ellis (2000); McIntosh (2003); Booth & Amato (2001)

## 3.2 Community Organisations as Preferred Providers

FRSA commissioned Parker & Partners to conduct a *Social Research Survey of Households with Children* during March 2009 to assess the impact of the global financial crisis on households with children[5]. 506 persons completed a 15 minute on-line administered survey consisting of 26 questions. The sample size provided for statistically significant results (+/- 4.36% margin of error at 95% confidence level).

The survey asked respondents to consider when they would seek help with their relationship and what sort of help they might access. As part of this suite of questions respondents were asked to nominate their single preference for service provider type (Figure 1). Almost half (47%) of respondents would prefer to seek relationship services from a community (nonprofit) organisation, 35 percent of respondents would prefer a privately operated service and 10 percent reported a preference for a service provided by government. This is consistent with other research into community attitudes towards help seeking, community organisations are often the most trusted and accessible point of contact for people[6]. Yet this is often not recognised by Government as an asset that community organisations bring to service delivery.

Government funding bodies tend to recognise or substantially value only their own financial input into service delivery. In some cases this can undermine the relationship the organisation has with the community by attempting to ascribe 'ownership' almost exclusively to the funding body. For example, the network of Family Relationship Centres were subject to very strict branding protocols that required extensive display of Federal Government brands at the same time prohibiting the display of the organisation's identity on external walls, publications or documents. The intent was to create a nationally recognised service with clear branding. However, the sector felt that this could be achieved with co-branding rather than exclusive government branding which fails to value the community profile of the provider organisation.

> **Recommendation 3: Community confidence in community organisations be recognised as a valued asset to be considered in policy and program decision-making.**

Figure 1: Preferred relationship service provider type

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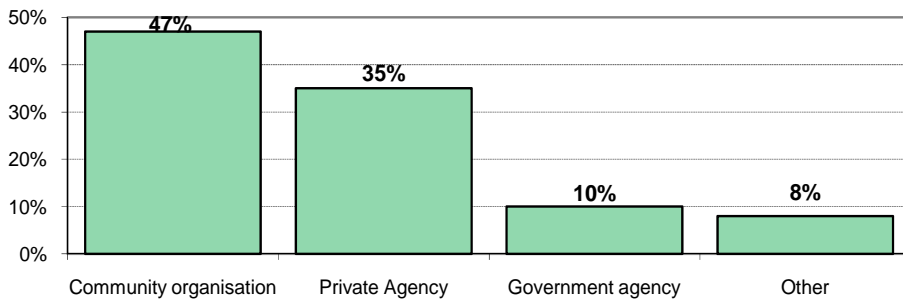
[5] Participants were selected as representing a household where the respondent had at least one child and/or dependent living in the household including children and dependents that may regularly divide their time between the respondent's household and another household. FRSA (2009) Relationship health and support services in the global economic crisis available from www.frsa.org.au.
[6] See for example Landvogt, K., 2008, Money, Dignity and Inclusion: The role of financial capability

3.3   Categories of contribution

FRSA supports the continued development of the Productivity Commission's *Conceptual Framework for Measuring the Contribution of Nonprofits* as articulated on pages 20-24 and the development of indicators that would be used to measure this contribution.

The conceptual framework captures the range of contributions that community organisations make. The one area of contribution that might be further developed would be that of employers and training providers. The community sector employs a substantial proportion of the Australian workforce, it is also known for providing excellent training and career development opportunities.

Current work in the Family Relationship Services Program (FRSP) that may be useful to this area of the Commissions study would include:

- Substantial work has gone into the development of a Performance Framework for family relationship services that incorporates outcome and output measures of impact; this can both inform and be informed by the development of broader measures of impact across the community sector.
- An FRSP Workforce Mapping project is currently underway to determine as much as possible the number of people employed within FRSP services, salary and qualification levels etc.

More details can be provided on request.

3.4   Advocacy & Representation

Advocacy and representation, particularly in circumstances of disadvantage and need are legitimate activities that deserve public support and recognition.

There are a range of groups representing the interests of children, parents, families and population groups. These groups receive limited government support which when available is often in the form of one off grants or project funding which can make it difficult to sustain a regular presence. As a consequence consultation with stakeholders is not easily done.   There is also a tendency for groups with more strident or vocal representatives to dominate public debate with moderate or measured views less likely to be well represented.   A more structured approach to supporting groups that undertake legitimate consultation and representation would potentially contribute to more informed debate and more meaningful consultation that is accessible to a broader cross-section of the community.

There are also peak bodies, such as FRSA, that represent funded organisations and the people who access funded services.   FRSA receives government funding but it is tied to specific activities, time limited and historically based. National peaks and networks have come and gone over time – there is little certainty for these organisations and a sense that funding for peaks is arbitrary - dependant on the decision-makers of the day.

In addition, community organisations engaged in service delivery, community development and individual representation often undertake individual or systemic advocacy. Indeed they are often well placed to support communities and individuals to identify their needs and advocate for change.

In the Discussion Paper 'Silencing Dissent' Maddison et al describe the role of community organisations as essential to a healthy and robust democracy, important intermediaries between community and government, conveying important information about the needs and preferences of a wide range of groups in the community to governments. They describe the many ways in which this role of community organisation has been undermined, including:

- Advocacy is not recognised as a legitimate activity for charities – engaging in advocacy can disqualify an organisation from charitable status under tax law.
- Established partnership arrangements between NGOs and government have been disregarded in favour of competitive models in which non-profit organisations are encouraged to imitate the practices of for-profit enterprises.
- Funding agreements have been used to restrict advocacy or representation.
- Lack of interest in the messages of community organisations and the use of strategies to reduce rather than stimulate debate including tactics such as freezing out and defunding uncooperative organisations, use of intimidatory methods, and micromanagement of relationships between the government and peak organisations.

Since the last election the current Federal Government has taken steps to engage with advocacy and representative groups, remove restrictive clauses in funding agreements and make public commitments to the value of community organisations and their contribution to policy debate.

One of the complexities is that it is the policy and program administrators that have the most to gain from the input of stakeholders who also have the responsibility for delivering on decisions that some or all stakeholders may not agree with. Resourcing stakeholders can therefore be a risk, particularly if there are competing interests or multiple groups involved.   As a result it may be desirable to reduce or rationalise the number of groups funded for advocacy or consultation from time to time, de-stabilising structured or systemic representation.

To properly value advocacy and representation there must be a core commitment to participation, democracy and civil engagement. The diversity of views and interests in the community needs to be viewed as a strength rather than a weakness at all levels of government and public administration.   Genuine consultation involves sharing information, explaining alternatives and being prepared to consider the views of those who will be affected by the decision. It takes time, it has a cost and it is does not always make the implementation of policy or programs any easier. However, it does create the potential for those affected to feel heard and engaged which can itself be an important outcome of the process. It can also lead to more informed, considered decision-making with less margin for 'unintended' or unanticipated consequences.

At a practical level one strategy to strengthen support for advocacy and representation would be to fund these activities separately – perhaps through a program of pooled funds with regular opportunity for community groups to apply for core operational funding and project or research funds.   This is partly achieved through the 'National Secretariat Program' within the Department of Families, Housing, Community Services and Indigenous Affairs. This program has separation from the policy/program areas in which funded peaks interact, however, the funding base has not grown over time and there has been limited opportunity for new networks or activities to develop.

> **Recommendation 4: Recognise advocacy and representation as legitimate activities that enhance civil society and deserve public support/investment.**

4 Enhancing Efficiency and Effectiveness

4.1 Workforce Development

To meet the complex and challenging needs of Australian families experiencing relationship breakdown, practitioners require qualifications, specialist training and appropriate experience.

Family support services consistently report critical staff shortages and increased competition for skilled professionals. They compete with both public and private sectors for staff with qualifications and experience in the disciplines of social work, psychology, counselling and family law. Generous remuneration packages offered by the public and private sectors cannot be matched by community organisations delivering government funded services.

FRSA estimates that the average difference in salary between staff employed in direct service delivery in the community sector and those performing similar work in the public sector is between $15,000 and $30,000 per annum for each full time equivalent position.   For example:

- A large Sydney based provider reports that their counsellors and mediators are paid in the order of $50,000 per annum, compared to $80,000 per annum for comparable positions in other sectors – including the private sector, the Family Court and state government agencies.

- A regional provider in QLD compared their salary award rates to those in the public sector award for equivalent work, which revealed a gap of between $12,000 per annum for entry level positions up to $18,000 per annum for more experienced positions.

- A Brisbane based provider reports that superannuation rates for practitioners in the community based services is 42% less than that of their counterparts in the public sector.

- Another provider organisation gave the following summary of recent exit interviews with staff leaving the organisation:

    o Relationship educator/counsellor offered a position in government at a salary more than double the hourly rate we can afford to pay.

    o Senior counsellor left for a State Government position at $25,000 more per annum for similar levels of responsibility.

    o Well qualified practitioner had to return to State Government employment as they were unable to manage the drop in salary at over $25,000 per annum.

Specific details and examples of the scenarios presented above, including confidential data on salary levels and exit survey results, can be provided to the Commission to support these assertions if requested.

As a result of the salary discrepancy, community organisations are finding it increasingly difficult to attract experienced practitioners and have difficulty filling these and other specialist vacancies. It is not unusual for vacancies to be unfilled for long periods – sometimes as long as 6-9 months. They are also finding that the biggest pool of employees are new graduates who use the sector to gain experience and then move on into better paying positions in the public or private sector.   This

makes it very difficult to sustain quality service delivery. Similar issues have been identified across the community services sector[7] and it is not only direct service delivery positions that have poor remuneration levels, management and administrative positions are also lagging behind the public and private sectors.

There are many factors that may have contributed to poor remuneration levels over time. Strategies most commonly identified for addressing the issue include:

- **Adequate levels of funding for service delivery programs** – funding levels are often historic and not based on the real cost of service delivery in contemporary circumstances.

- **Realistic performance requirements** – performance measures for service delivery should be based on an accurate estimate of what can be achieved with the funding available.

- **Research data and evidence regarding cost** – due to the complexity of cost structures in the community sector, relatively little work has been done to develop sophisticated costing models or funding calculators that take account of appropriate salary levels and staff on-costs.

- **Changing attitudes** – funders and donors sometimes have an expectation that community organisations will deliver services at a lower cost than public or private sector providers – in particular that they should have low overheads and can rely on the 'good will' of staff and volunteers, yet this is at odds with increasing compliance requirements and continuous quality improvement systems.

- **Reduce competition and increase collaboration** – the widespread use of competitive tendering selection processes in funding allocation has forced organisations to compete on price and/or value-for-money to sustain their own viability in the service sector, often reducing the extent to which organisations can collaborate and share information or expertise.

Complicating the development of strategies has been the lack of comprehensive workforce data in the community sector. FRSA is currently working with the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) to support a comprehensive workforce mapping project funded by the Department. This project will attempt a census of the family relationship services sector – documenting roles, hours, qualifications and salary levels. This will help to inform discussions on current and future workforce needs with a Workforce Development Plan already under development. While this is important work, real progress on workforce issues is only likely to occur if the discrepancy in salary levels across the community, public and private sectors are addressed.

> **Recommendation 5: That the Federal Government commit to a principle of fair remuneration levels in the community sector and address current inadequacies through systematic review of funding levels and performance requirements across programs.**

Another strategy for supporting workforce development is to increase the supply of qualified workers. Currently, there is a national undersupply of graduates from key areas such as social work, psychology and counselling. Other sectors such as health and education have benefited from

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[7] ACOSS (2007) Australian Community Sector Survey.

substantial investment in tertiary and vocational programs to increase the number of graduates. Scholarships, reduced contribution fees or fee-help are available for high demand professional degrees in nursing and teaching.

In the family support sector and the community services sector more broadly there has been relatively little investment to increase the supply of qualified staff. Where there has been some investment in the development of vocational qualifications[8], there has been little investment in making training more affordable for potential trainees.

FRSA has made representations on behalf of member organisations to make VET FEE HELP available to students undertaking high-demand training with community based training providers. FRSA has also called on government to invest in scholarships or similar support to increase the number of graduates in key disciplines such as social science and psychology[9]. The difficulty is that the cost of such initiatives cannot be borne by one or more program area. There is a need for an overarching commitment to the community sector workforce and securing the supply of suitably qualified people.

> **Recommendation 6: Invest in tertiary scholarships and vocational training to increase the supply of qualified practitioners able to work in the family services sector.**

4.2 Funding and Financing

Sustainability

There are a number of significant challenges to the sustainability of community organisations delivery government funded programs such as the Family Relationship Services Program (FRSP). Specifically:

- Funding levels have been eroded due to inadequate indexation, resulting in substantial under-investment in some services – particularly those that have a long history;
- There is a lack of transparency in funding models and very little review or evaluation on the adequacy and fairness of the costing methodologies;
- There has been little or no investment in infrastructure;
- There have been very onerous limitations on the use of funding, preventing investment in infrastructure, assets and equipment;
- Back to zero acquittal requirements prevent organisations from carrying any surplus funds across funding cycles or building reserves.

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[8] In 2007-08 the Family Relationship Services Program invested in the development of new vocational qualifications - Certificate IV in Children's Contact Service Work, Diploma of Children's Contact Service Work, Diploma of Family Intake and Support Work, Vocational Graduate Diploma of Relationship Counseling, Vocational Graduate Diploma of Family Dispute Resolution, Certificate IV in Relationship Education, Diploma of Relationship Education. Only the delivery of the Vocational Graduate Diploma of Family Dispute Resolution has been subsidised and then only the compulsory 3 units required for registration and only for practitioners registered by February 2008.

[9] FRSA Pre-Budget Submissions 2008 & 2009 available from www.frsa.org.au

The rationale under which community organisations receive funding appears to be that every dollar received must be spent on the direct service delivery within the specified timeframe. This prohibits organisations from becoming sustainable over the long term as their infrastructure and reserves are eroded through service delivery.

> **Recommendation 7: Value and protect the sustainability of community organisations by reducing restrictions on the use of funding and recognising the full cost of service delivery.**

Defining 'Social Enterprise'

Adopting a broad definition of 'social enterprise' is an important acknowledgement of the diversity of ways in which community organisations contribute to social outcomes.

The issue of defining social enterprise has not been fully explored in Australia. The recent Senate Standing Committee on Economics Inquiry into the Disclosure Regime for Charitable Organisations included a brief examination of the definition of the term 'Social Enterprise' but it was not central to the terms of reference and therefore the majority of submissions to the Inquiry did not address the issue. The report referred to a relatively narrow definition of social enterprise as those established to provide employment opportunities for people experiencing disadvantage, though it also recognised a much broader concept of any organisation or activity established for a social purpose.

Internationally, the definition of social enterprise is being recognised as having an important impact on organisations and social policy[10]. Broader definition increases the potential support for a diversity of income generating activities that community organisations engage in to finance their activities.

An example in the family support sector is that some provider organisations generate income from the collection of a service fee or client contribution (generally based on a sliding scale based on the client's capacity to pay), many have also developed fee-for-service programs that do not receive government funding as well as social enterprise initiatives such as retail outlets, IT consulting, data systems development etc. Income generated from these activities is invested back into programs to support families – considerably expanding the impact of these programs beyond the level made possible by government funding alone. A joint proposal by Family Life and Melbourne Citymission in Victoria is a practical example of how to replicate the success of such an approach. The Family Life / Melbourne Citymission models demonstrate how capturing the totality of income generating activity under the broader definition of social enterprise has the potential to have very positive community benefits.

Taking this further, the latest literature from the UK on Social Return on Investment (SROI)[11] describes how SROI is an impact measurement tool used to place a financial worth on the social value that an organisation creates through its activities, outputs and outcomes. SROI is seen as a framework to help understand the value of social change from the perspective of those changed. It tells a compelling story of change, which is a mix of narrative, qualitative and financial measures. It

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[10] See for example "Toward a better understanding of social entrepreneurship: Some important distinctions" Boschee & McClurg.

[11] Examples are available at http://www.sroi-uk.org/

provides for a financial proxy value of this change, which can be understood alongside traditional financial costs. It is transparent and consistent and aims to create a more tangible currency in social value that everyone can understand. For both governments and organisations SROI can also help focus attention on particular activities and how well they are working to achieve social change.

> **Recommendation 8:   Adopt a broad definition of Social Enterprise and develop measures of Social Return on Investment suitable for use by Australian community organisations delivering positive social outcomes through a diversity of income generating activities.**

4.3   Innovation

There are many examples of innovation across the FRSA member network. Organisations have developed new service models, invested in new products/resources, led the development of best practice and worked with research partners to address areas of long standing difficulty. Innovation occurs with and without government support within both small and large organisations. Without attempting to be comprehensive some specific examples include:

- **Action research into child inclusive practice** is being undertaken at the Townsville Family Relationship Centre operated by Centacare Townsville to examine the impact and importance of child inclusive practice in family dispute resolution.

- The **Building Connections** pilot project was conducted by Interrelate Family Centres in 2006. This educational program assisted separated parents in high conflict to develop insight into child-focused parenting. The report is available from: http://www.ag.gov.au/www/agd/agd.nsf/Page/Publications_EvaluationoftheBuildingConnectionsPilotProject-March2007

- **Community Bubs** is an innovative model of intensive outreach that aims to strengthen the individual, family and community resources in order for at-risk infants to thrive and develop safely in the care of their family. Developed by Family Life in Melbourne with the support of a philanthropic trust, this model substantially reduces statutory child protection intervention enabling infants to remain safely in the care of their family. The evaluation report is available from: http://www.southernfamilylife.org.au/innovation-enterprise/community-bubs.asp

- **4Discs** is a client database software package developed by Relationships Australia (RA) which has substantially improved the capacity for data capture across the RA network.

Innovation is more likely to occur when community organisations have capacity and flexibility. At a practical level conditions that support innovation include:

- Capacity to pool funding from multiple sources;
- Authority to redirect funds to address priority need;
- Support to trial or test new approaches;
- Access to research and evaluation resources;
- Flexible or negotiable performance requirements that can change to accommodate changes in service model (eg client target numbers); and
- Opportunities to invest in infrastructure and new products (eg data management systems, client self-help resources).

For the benefits of innovation to be fully realised it needs to be recognised and encouraged. One of the mechanisms by which this currently occurs is through the Clearinghouses – such as the Australian Family Relationships Clearinghouse (www.aifs.gov.au/afrc) and the Communities and Families Clearinghouse (www.aifs.gov.au/cafca). Clearinghouses provide organisations with ready access to relevant research and resources such as program evaluation reports that help to inform their own service delivery. They also provide the opportunity for organisations to share examples of emerging and promising practice. The achievements of the Clearinghouses could be further enhanced through regular forums to bring practitioners together to discuss how to translate research into practice and keep researchers up to date with developing practice.

Another strategy to support innovation would be to develop more direct incentives for innovation such as recognition programs or awards and publications that highlight new or evolving practices. Reducing restraints on funding would also be helpful. Instead of allocating funding to the delivery of a program or service or tightly defined package of supports there could be a decision to resource organisations or networks of organisations to address a need or solve a problem. This requires relationships of trust and collaboration; it also requires changes to the way in which performance is measured.

To provide an example, the aim of relationship education and skills training is to strengthen and enhance family relationships. There are many different ways that this can be achieved. There are approaches that provide intensive education/training to individuals, couples and small groups; there are also approaches for engaging people in larger groups such as education seminars. Relationship education can also be delivered in settings such as schools, workplaces and tertiary training institutions. Finally there are public education approaches such as radio presentations and 'arms length' strategies such as training front line support workers in other service sectors to assist clients with relationship skills (eg those working in crisis accommodation or disability support services). Innovation is supported when services have the flexibility to mix and match approaches; take advantage of opportunities (such as the offer of a radio program or an invitation to present a workplace seminar) and test the appeal of different approaches with different target groups. To ensure resources are not wasted practitioners need to be informed of the latest research and evaluation findings, have access to program resources that support good practices across different modes of delivery and tools for evaluating the effectiveness of different approaches. This is much more sophisticated than funding a single delivery mode (small groups) with a just one or two output measures (number of participants and participant satisfaction). It requires a focus on outcomes beyond individual outcomes and decentralised decision-making that does not seek to apply one model or funding formula to all services.

A common frustration for community service organisations is the relatively small scale of investment available for innovation. Flexible grant opportunities tend to be small and time limited while large and ongoing investment is restricted to more traditional activities. In the face of complex and long standing social disadvantage community organisations often recognise a need for large scale, long-term investment in new approaches[12]. Instead they are often managing multiple service agreements for specific functions, each with onerous reporting requirements and strict limitations on how resources are to be used.

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[12] Supported by the findings of research into long term disadvantage across post codes – see for example Vinson (2007).

> **Recommendation 9:** Recognise and reward innovation in funded community service programs by fostering the conditions that support innovation and building flexibility into funding agreements.

Efficiency

The treatment of unexpended funding is a significant disincentive for achieving efficiency gains in government funded family support services. Currently if an organisation delivers a service for less than the amount of funding received the unspent funds are required to be returned to the funding body unless approval is granted for the funds to be applied to a specific project or activity. If government were to fund a for-profit entity to undertake the same work there would be no such expectation. The for-profit entity would expect to keep any surplus and indeed this would be factored into the service cost or budget prior to commencement.

Surpluses from FRSP funded services are generally small and variable from year to year as environmental factors such as levels of demand and internal factors such as stability in the staff team fluctuate. However, the opportunity to retain a surplus and use it to build capacity, purchase equipment, reward staff or fund an innovation project would be a powerful incentive in support of efficiency.

Furthermore, there is inequity in the treatment of deficits and surpluses. If a service or activity costs more than anticipated resulting in a deficit, the organisation is liable for the additional cost. A surplus in one program cannot be applied against a deficit in another. Similarly a surplus in one financial year cannot be used to offset a deficit in another financial year. As a result organisations carry all of the risk in relation to service costing methodology and enjoy none of the benefits of achieving cost reductions.

There are also contractual limitations on the use of funding that can work against efficiency gains. For example, FaHCSIA funding agreements have restricted the purchase of capital assets (previously defined as any asset worth more than $5,000 soon to be raised to $10,000) such that organisations have had to lease assets rather than purchase – reducing the potential for negotiated discounts on bulk purchasing or the opportunity to take advantage of price reductions and government supply contracts. FRSA has advocated the restriction be applied only to assets worth above $50,000 (additional detail on this position can be provided on request). Similarly, funding agreements usually preclude spending on capital works or infrastructure despite the potential for long term efficiency returns. Much of the rationale behind these restrictions is based on a funding relationship that is short term and solely concerned with the purchase of specific services, with no benefit to accrue to the organisation beyond the life of the contract. Once again, competitive tendering has influenced this with concern that if funding is used to build the capacity of an organisation this will undermine competitive neutrality in future competitive selection processes. If funding arrangements were instead viewed as long term and there was legitimate government interest in the sustainability of provider organisations perhaps such restrictions would not be necessary.

> **Recommendation 10:** Remove barriers and disincentives for the efficient use of funds from funding agreements and take a long-term view in funding relationships.

Intellectual Property

The FaHCSIA standard funding agreements have a relatively onerous clause relating to Intellectual Property which if enacted could effectively give the funding body rights over all existing materials used in the delivery of services as well as all material developed during the life of the agreement. As a result, organisations with decades of accumulated knowledge and resources are vulnerable to having any and all of their Intellectual Property appropriated by Government. FRSA is not aware of any case where this has actually occurred, nonetheless it is a significant risk and one that cannot be ameliorated without amendment to the relevant clause. This is clearly a potential restraint on innovation and one that could be readily addressed.

> **Recommendation 11: Develop a fairer approach to Intellectual Property in funding agreements for family and community service programs.**

4.4 Regulation

Company Structures

Within the FRSA membership there are a cross-section of community organisations from very large organisations working across State/Territory jurisdictions to small locally focused organisations. Some organisations are Incorporated Associations, others are Companies Limited by Guarantee, some are church affiliated and at least one was established by an Act of Parliament. This gives us a good understanding of the diversity of the community sector and we concur with the assessment by Allen's Consulting[13]:

"Neither the Corporations Act nor the Association Incorporation Acts — the two most applicable mechanisms — offer a means of incorporation that meets all the needs of the not–for–profit sector. In some senses, there is a 'misfit' between the nature of not–for–profit organisations and the incorporation vehicles available to them. The Corporations Act can be costly, complex and inappropriate in parts, and there are few tools to assist organisations with the practicalities of establishing under it; the Association corporation Acts are insulated, inconsistent and not mutually recognised and, while there are ways of overcoming this for multi–State bodies, they involve additional fees and reporting requirements."

FRSA supports proposals for a new company structure to be designed for community organisations with appropriate accountability requirements. This would better recognise the unique relationships that community organisations have with stakeholders including donors, funders, volunteers and supporters. In particular, we support further examination of the model of the 'Community Interest Company' implemented in the United Kingdom for potential application in Australia.

In lending our support to this proposal we concur with the recommendations of ACOSS that the development of any new national regulatory structure needs to be done in consultation with the sector, preferably by a joint taskforce comprised of representatives of Government and the community sector.

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[13] The Allen Consulting group for the Victorian Government (2005) *Improving Not–For–Profit Law and Regulation.*

It is important that any new structure is available to community organisations across the spectrum but not imposed or made compulsory. There is value in continuing to recognise the value of diversity and allow organisations to make choices regarding the structure that best suits their purpose, activity and affiliation.

> **Recommendation 12:** A joint taskforce comprising of representatives of Commonwealth and State/Territory Governments and representatives from the community sector be established to design a new optional company structure for community organisations that has appropriate reporting and accountability requirements.

Fundraising and Tax Reform

FRSA believes the regulation of community organisations should be more streamlined and consistent across jurisdictions. In particular, there are two areas of regulation where substantial improvements could be made[14]. The first is regulation concerning fundraising and the second is tax regulation.

Fundraising regulation is highly inconsistent across jurisdictions and lacking established conventions for reporting of data on sensitive issues such as fundraising costs.

Taxation treatment of not–for–profits is highly complex, with varying degrees of concession available across numerous types of organisation and little in the way of clear underpinning principles. As a result considerable resources are spent assessing, defending and reviewing tax concession status. At the Commonwealth level, the legal and administrative framework needs to be amended to reduce the number of categories of not–for–profits for tax purposes, and to establish how each category of not–for–profit should be treated in relation to the various types of concessions; this must be done within a consistent and clearly articulated framework.

In the family relationship services sector provider organisations are engaged in a diverse range of activities and generate income from multiple sources including government funding, client fee contributions, private donations, corporate sponsorship and fee-for-service activities. The regulatory requirements and taxation rules that apply to these activities are complex and differ according to the status of the organisation with regulators – for example most would have Deductible Gift Recipient status with the Australian Tax Office but only some are Public Benevolent Institutions. It is common for organisations to be managing a complex range of accountability and reporting obligations to members, communities, multiple funding bodies and regulators at both State/Territory and Commonwealth level. It is difficult to provide organisations with support in meeting these obligations because of the diversity of rules that apply across jurisdictions and regulatory bodies.

The fact that some organisations are defined as Public Benevolent Institutions for taxation purposes while others are not creates inequities in the cost of service delivery and the conditions that can be offered to staff. The extent to which the test is fair and the assumptions valid is an issue that warrants public debate. There are potential benefits to Government for broadening the range of organisations and activities that qualify for important concessions such as the Fringe Benefits Tax exemptions.

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[14] The difficulties in both these areas of regulation have been articulated considerable detail in reports such as Allen Consulting (2005) and submissions the 2008 Senate Inquiry into Disclosure Regulations for Nonprofits.

We concur again with ACOSS[15] and the Nonprofit Roundtable[16] on the desirability of a new regulatory framework for the majority of nonprofit organisations, which encompasses corporate and taxation regulation for each of a number of different types and sizes of organisations such as the model of the UK Charities Commission.

The Nonprofit Roundtable has clearly articulated the merits of regulation that is proportional to the size and impact of organisations. FRSA agrees that regulation should be less onerous for those organisations which have relatively small levels of financial turnover and have limited impact on the community, including those that are project or interest based. The use of 'light touch' regulation in these circumstances is important to encourage individuals and communities to form new organisations that contribute to civil society and democracy. The most important accountability for smaller organisations is to members and donors that support them.   More substantial regulatory requirements can apply to larger organisations which receive public funds to provide services or essential supports to community or population groups.

> **Recommendation 13: Develop a new national regulatory framework for community (nonprofit) organisations to encompass corporate and taxation regulation that is proportional to the size and activities of organisations including community impact and risks.**

4.5   Diversity

In the delivery of family relationship services, smaller and specialist service providers have made a substantial contribution over the 40 year history of the sector and they continue to do so.

FRSA welcomes the opportunity to support maintaining diversity in the community sector. 58% of FRSA member organisations receive less than $1 million in FRSP funding per annum and the majority of these are small to mid size locally focused community organisations.

While there has been substantial growth in FRSP funding over the past 3 years, not all provider organisations have been successful in securing new funding. Factors that can make it difficult for smaller organisations to compete in selection processes include:

- Large service bundles and catchment areas – smaller organisations tend to work in a defined geographic area, deliver specific service types or work with a defined target group.
- Service models that require substantive infrastructure – smaller organisations tend not to have the level of reserves or capital required.
- Selection criteria weighted on factors such as track record in establishing new services, proven performance across multiple programs and financial security.

Another difficulty for smaller providers is that the funding available does not match the organisations mission or core expertise.   They may be well placed to deliver part of the service but not all. This is where the development of consortia and supportive partnerships can be effective, but more work is needed to ensure these are based on sound principles and financial arrangements that do not

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[15] ACOSS Submission to Senate Committee Inquiry into Disclosure Regulations for Charitable Organisations (2008).

[16] Articulated in the National Nonprofit Roundtable Submission to the Victorian Government Review of Not-For-Profit Regulation (2007).

expose small organisations to risk.   There are many good examples of consortia having formed to take advantage of the combined strengths and expertise of multiple smaller agencies. Specific examples include:

- The **Pine Rivers, Redcliffe and Caboolture Family and Community Consortium** provides early intervention services across the Caboolture / Strathpine region. Pine Rivers Neighbourhood Association is the lead agency and other members include Bribie Island and District Neighbourhood Centre Association, Caboolture Regional and Domestic Violence Service, Deception Bay Neighbourhood Centre, Redcliffe Neighbourhood Centre Association and The Gowrie (Qld)

- The **North Metropolitan Family Relationship Centre Consortium** operates the Joondalup Family Relationship Centre in Northern Perth. The lead member is Anglicare WA, other members include the Citizens' Advice Bureau of WA, Edith Cowan University, Ngala Inc. and Northern Suburbs Community Legal Service

While the majority of consortia arrangements are working very well there are cases where these arrangements have broken down. The FRSP service agreements offer no protection for consortia partners, only the lead agency has security of funding. In a worst case scenario a small organisation that has leased premises and hired staff to deliver their part of a service arrangement can be left out of pocket if the relationship with the lead agency breaks down and they no longer receive the anticipated share of funding.

The development of consortia models and lead agency arrangements are not necessarily detrimental to smaller organisations or to diversity more generally but more research and development is needed to examine the impact. Where such arrangements can foster small organisations through growth they may be very valuable. However, there also needs to be growth opportunities for smaller organisations to expand at a manageable rate.

Another significant issue for the sector is the nature of relationships between small and large providers. Competition for funds and threats to viability make it difficult to maintain positive, collaborative relationships.   Partnership initiatives that bring services together and support opportunities for collaboration can be very effective.

There are some particularly good examples of partnerships based on a shared commitment to the local community. An example is **Community Southwest Ltd** (*Community Southwest*) an alliance of incorporated, non-government, not-for-profit, organisations that are based in south west Victoria. The mission of Community Southwest is to *be a powerful influence in developing stronger communities, fairer and more self-dependent local communities.* The alliance aims to support members with numerous opportunities to draw on collective strengths. Examples include:

- Governance Network meetings ~ Board, Committee members and CEO's meet quarterly to interact with a guest speaker and network on issues. This provides an opportunity at the Governance level for members to collaborate and share ideas.

- Member CEO group ~ meets bi-monthly, for an informal breakfast, to hear from the CSW Board, and to share ideas at the senior executive level.

- Business Managers ~ meet bi-monthly where the business managers and administration managers network and share ideas, best practices at the operational level.

- CSW Intranet ~ provides opportunities for our electronic newsletter, advertising of vacancies as well as coordination of interagency projects.

- Human Resource forum ~ meeting 2-3 times per year for interested parties to meet and discuss issues related to the human resource function.

- Centres of excellence ~
  - Human Resources. The human resources centre of excellence focuses on helping members to reduce costs and increase efficiencies through best practices associated with recruiting and retaining staff. Current activities include listing vacancies on the CSW website, maintaining a intra-agency training calendar and holding discussions on the feasibility of centralised HR functions.
  - Information Technology. The IT centre of excellence maintains the CSW website and intranet and liaises with our preferred suppliers of IT equipment so as to help members achieve efficiencies through better utilisation of technology.
  - Purchasing. The purchasing centre of excellence liaises between preferred suppliers and members to ensure the smooth operation of the supplier arrangements.
  - Research. The research centre of excellence involves itself in undertaking or coordinating research activities that benefit members.

- Purchasing arrangements with preferred suppliers ~ Community Southwest has in place a preferred supplier arrangements across ten cost centres from vehicle fleet management to catering.

- Staff intranet. The CSW intranet contains a variety of information provided by members, for use by members.

- Media/Marketing Program. A media/marketing program is in place. This program creates community awareness of Community Southwest and provides an opportunity for members to gain media exposure.

- Not-For-Profit Conference. In February 2008, Community Southwest hosted the inaugural, two-day, not-for-profit conference in Warrnambool. This event was a logistical and financial success. The next conference is scheduled for March 2010. Planning for this conference has already commenced.

- WDEA Charitable Trust Community Awards. WDEA, a member of Community Southwest, through its charitable trust, sponsored the inaugural community awards program. Members of Community Southwest are eligible to submit entries to this award. It is planned to hold the awards every two years.

- Programs. For 2009, Community Southwest will be involved in implementing the following programs for its membership:
  - Conducting a review of purchasing arrangements
  - Continuing to build the interagency training calendar
  - Conducting a forum to identify how to better utilise the CSW intranet
  - Investigating the potential for a shared human resource facility
  - Implementing and maintaining a media/marketing program
  - Researching potential fund raising options
  - Investigating the potential for a philanthropic partnership program
  - Planning for the 2010 non-profit conference

Formed by nine founding member organisations - Western Region Alcohol & Drug Services (WRAD), Aspire, A Pathway to Mental Health, Western District Employment Access, Brophy Family & Youth Services, Community Connections (Vic) Ltd, Gunditjmara Aboriginal Cooperative, Southern Way, Vantage Inc and Mpower – Community Southwest has recently become an incorporated entity and is expanding its membership.

It is worth noting that Community Southwest began as a Memorandum of Understanding between organisations that was supported by funding provided by the Victorian Government. Good will alone is often not enough to get initiatives like this up and running, some resourcing is needed to invest in the development of relationships and collaborative projects.

> **Recommendation 14: That the diversity of the community sector is valued and supported through investment in collaborative initiatives.**

5 The Sector's Provision of Government-Funded Services

Family relationship services have been providing quality support to Australian families since the 1960's with substantial expansion in service delivery over the past two years. The greatest challenge now is to ensure that these services are sustainable over the long term. FRSA has identified investment in strategies to enhance sustainability as our first priority for Federal Budget expenditure.

Reports commissioned by FaHCSIA highlight the cost effectiveness of the FRSP program; however it is noted that Commonwealth funds account for less than 75 percent of organisations funding.[17]

5.1 Funding Compliance

FRSA works extensively with community organisations that receive government funding to deliver services and projects. We believe that the regulation built into many funding agreements is excessive and the compliance costs to organisations poorly recognised.

Much of the information required and submitted to government is not utilised or useful in the management of services and does not contribute to any improvement in community benefit or individual client outcomes.

Within the Family Relationship Services Program (FRSP) accountability and reporting requirements have increased substantially over recent years without commensurate increases in resources. Organisations now comply with multiple data collection systems that taken as a whole are diverting much needed resources from service delivery to administration, these include:

- 3 year Service Budgets & Service Plans
- Annual Funding Acquittal Reports
- Annual Audited Accounts
- Triennial external audits and annual self-assessment against FRSP Approval Requirements (a form of service quality standards)
- FRSP Online client data (which captures an extensive amount of detail on client characteristics and service delivery activity requiring services to obtain client consent and dedicate resources to data entry)
- FRSP Annual Status Report data (which captures information on organisation governance and management including strategic priorities, challenges and needs)
- Manual data collection for some service types and compliance with service specific operating guidelines (inc. Family Relationship Centres)
- Participation in evaluation and research projects (such as the national evaluation of family law reforms) which involves providing data and surveying clients and staff

Historically the emphasis in funding regulation has been on monitoring activity or inputs rather than measuring outcomes or impact. FRSA is engaged in dialogue with both FRSP funding bodies (FaHCSIA and AGD) on the development of outcome based performance measurement but it is

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[17] FaCS & AGD(2004) pg 116

important that this is used as an alternative rather than additional mechanism to avoid increasing compliance costs and reducing service delivery outputs.

Both government and community organisations benefit from having reliable data on the effectiveness and efficiency of funded programs. Regulation that can deliver this clearly serves the community interest. However, there are currently no constraints on funding bodies to ensure that regulation is justified and valuable. FRSA believes that a set of agreed principles should be developed to drive good practice in the development of funding regulation. Such principles could require that regulation contribute to ensuring transparency and value for money in the use of public funds while also keeping compliance and administration costs within reasonable limits.

Another principle for the development of funding regulation could be that there is consistency across funding bodies in relation to the use of funding and how it is acquitted. Inconsistent rules across funding bodies make it difficult to have consistent financial management systems within organisations. For example, FRSP funding comes from two different funding bodies (FaHCSIA and AGD) with different rules applying to the purposes for which funding can be used and how it is acquitted. As a result organisations must create different rules for managing resources across programs. Methodology for categorising expenses, valuing and depreciation of assets as well as the allocation of shared costs across programs should be based on good practice and accounting standards rather than idiosyncratic requirements within funding agreements.

Another principle would be to graduate the reporting requirements for different amounts of funding. Currently, small amounts of funding are generally subject to the same regulation and reporting requirements as large amounts of funding. As a result small organisations or organisations receiving small amounts of government funding find the compliance costs particularly onerous which can be a barrier to growth and diversification. While it is appropriate to require an auditors statement on a grant acquittal for $400,000 the same requirement for a $4,000 grant is an onerous requirement that will cost as much as 25% of the grant value.

> **Recommendation 15: Develop reasonable and consistent funding regulation to be applied across Australian Government funded programs based on agreed principles of transparency, value for money and risk management.**

5.2   Competitive Tendering

Federal Government investment in the Family Relationship Services Program (FRSP) has increased more than four-fold over the past three years as a part of major reforms in family law and increased emphasis on early intervention. All new funding has been distributed through a series of competitive selection processes. The arguments in favour of the competitive process included:

- A responsible government must test the market to get the best value for its investment;
- It is the only equitable way to provide a fair opportunity for all providers to be considered; and
- Competitive selection supports diversification – particularly when for-profit companies are eligible to compete for funding alongside nonprofits (applicable to Family Relationship Centres).

The competitive selection processes had a number of significant impacts, including:

- Substantial resources were spent on preparing funding applications, each separate application required many hours of preparation it is estimated that costs of up to $20,000 per application

were involved in some cases with many larger organisations submitting multiple applications in all three funding rounds.

- Some organisations have applied for services in geographic areas and areas of speciality they would not ordinarily pursue because of uncertainty regarding the allocation of funding in their core areas of interest.
- Very few new providers secured funding in their own right (3 in total) - 97% of funding was allocated to existing service providers and 100% to nonprofit providers.
- While the sector overall has grown substantially in size, the rate of growth in existing providers has been variable – some grew quickly, some grew substantially, some did not grow at all.
- Competition between agencies has been intense in some areas; at odds with the collaboration and cooperation that the sector was previously known for.

The impact on relationships between organisations is perhaps the most significant cost of competitive processes. Competition provides a disincentive to share intellectual property, physical resources and practice wisdom.   Collaboration may be increased amongst those who form an alliance or consortia to compete for new funding but it is likely to decrease between those who compete against each other.

The competitive process also has a long -term impact on the relationship between organisations and funding bodies. Organisations are treated as though they have no history of relationship with the funding body and issues such as organisation sustainability, managing growth or relationships between organisations are not relevant.   Problems arising in the implementation of services such as changing costs associated with premises or workforce shortages are seen as solely the responsibility of the service provider – they submitted a tender therefore they must deliver. Changes to the model or the target of the services are also ruled out because there has been a competitive process and it would unfair to the unsuccessful applicants to change the nature of the service once it has been awarded on the basis of a set criteria.

This is part of the broader concept of the relationship between funding body and provider as a commercial one (purchaser-provider) rather than a partnership or collaboration. Across government funded programs there has been a move towards funding only direct service or project costs, with organisations regarded as an extension of government service provision with no recognition of the autonomy of the sector or the added value the sector brings to service delivery. To maintain their viability organisations must manage a number of funding contracts with differing restrictions and reporting requirements. There is little or no capacity to use funding flexibly to respond to changing needs or priorities in the local community.

The assumption that this approach is responsible, accountable and serves the interests of government warrants critical analysis. A comparison with successful commercial relationships would be worthwhile. In many commercial areas the relationship between supplier and purchaser is recognised as reciprocal, particularly when suppliers are limited in number and has skills or expertise highly valued by the purchaser.   An example often used is that between airlines and aircraft manufacturers – there are a small number of manufacturers, they work very closely with the airlines to design new aircraft that meet their needs, airlines invest in design and work very collaboratively with suppliers. Delivering community services is at least as complex as delivering transport services.

One of the objections to moving away from competitive tendering is that there are no alternative models for allocating funding that are fair and transparent. FRSA believes that in the recent

expansion of FRSP services, local consultation would have identified the most suitable provider for the large majority of new services and strategies to bring in new providers could have been developed. Competition could have been limited to those areas where agreement could not be reached. A process often used in procurement processes is to invite Expressions of Interest to identify those providers most suitable, then commence negotiations with these providers on potential arrangements. This allows for a dialogue – which services best fit the profile of the organisation, what capacity or limitation factors should be considered, is there potential for partnership or collaboration between providers etc. There are also models from other sectors that could be adapted. One example is the hub-and-spoke model developed in community health that creates a generalist hub linked to specialist service delivery which may have been a useful blueprint for the design of Family Relationship Centres[18]. There is plenty of scope for developing new models for allocating funding in the family support sector, drawing on examples from across different sectors including health, education and community services in Australia and overseas.

> **Recommendation 16: Develop models of funding allocation based on respect, partnership and collaboration to address local need.**

5.3   Indexation on Funding

FRSA has urged successive Federal Governments to review the formula used to determine indexation rates for family relationship services.

Over time the accumulated impact of inadequate indexation applied to federally funded services has undermined the viability of community service providers. For example, in 2007-08 the indexation rate applied to FRSP funding was just 2.1% and in 2006-07 it was 1.7%. Service providers reported cost increases in the order of 4-5% (consistent with the seasonally adjusted labour price index through the year to September 2007 which was 4.2%[19]). This was the third consecutive year that wage costs in the health and community services sector increased by around 4% while indexation rates were around 2%.

Much of the cost increases are in wages. Wage costs account for approximately 72% of all funding provided to FRSP service providers[20], sometimes more. For example, one member organisation reports "*over the past two years SACS workers have received a pay rise of 3.5% per year. With salary and on costs at 84% of the total budget it is easy to see that indexation (1.7% and 2.1% respectively) is not keeping up*". There have also been substantial cost increases in information technology and commercial rent, which are not recognised in standard indices, such as the CPI. The incapacity to match increasing costs has significant flow on effects to service delivery. For example, one FRSA member organisation reported the following impacts on their children's contact service "*As a community organisation working under the state award we were greatly affected by increases for weekend loading in 2006 (50% increase for Saturday and 100% for Sunday) - we have had to decrease the hours of opening and therefore the amount of service delivery to clients.. in addition our rent has increased by 9% which has put these premises beyond our budget, we are*

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[18] For example of the hub and spoke model applied to the delivery of family support see the Rural Beginnings Project 'Promising Practice' paper available at www.aifs.gov.au/cafca/ppp/profiles/pppdocs/itg_rural_beginnings_hub.pdf

[19] ABS (2007) Cat. no. 6345.0.

[20] Ernst & Young (2006) p 26

now looking for new premises, the second move in the life of this service, and this will be disruptive to clients (particularly children), the service and the community."

FRSA estimates that over the 3 years 2005-08 family relationship service providers absorbed more than $7.4 million in cost increases. This is not sustainable and will eventually force agencies to reduce service outputs. A reduction in service outputs is highly undesirable, particularly at a time when services are experiencing record levels of demand.

> **Recommendation 17: Adjust the formula for annual indexation of FRSP funding to align with real cost increases in service delivery**.

5.4 Equity for regional, rural and remote services

The cost of delivering services in regional, rural and remote areas is generally higher and substantially more variable than the cost of services in metropolitan areas[21].

Current funding models in family support programs do not directly accommodate higher costs or readily allow for services to receive funding adjustments in response to local cost pressures[22]. This can leave organisations highly vulnerable to cost fluctuations. Across the board, regional, rural and remote FRSP services have reported higher costs related to:

- Distance and transport;
- Increasing housing costs for staff and limited availability of overnight accommodation;
- Telecommunication costs, including the use of satellite phones;
- Recruitment and wages, including 'zone allowances' built into State and Territory awards, the need to build in subsidised housing and increasingly managing 'fly in, fly out' employees;
- Increased costs associated with meeting unique community needs and overcoming barriers such as distance, isolation and disadvantage; and
- Lower capacity to generate income through client fees compared to metropolitan services[23].

There have been particular pressures on service costs in areas affected by the resources boom. Services have reported large rent increases for premises, rising housing costs that become prohibitive for staff, increased competition for staff and increased demand for services as population levels increase. These changes can occur rapidly, necessitating a review of service costs and what can be achieved. FRSA is aware that in other human service sectors, including aged care and disability services, the increased cost of delivering services in rural and remote areas has been acknowledged and addressed through higher levels of funding. We believe that this should be a feature of all funded service programs.

> **Recommendation 18: Ensure funding models recognise the higher costs associated with the delivery of services in regional, rural and remote areas with capacity for services to receive funding adjustments in response to local cost pressures when appropriate.**

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[21] Catholic Welfare Australia & FaCS (2006) p 4.

[22] FaCS & AGD (2004) p 58.

[23] Ernst & Young (2006) p 52; FaCS & AGD (2004) p 58.

Resource Boom Impacts:
- In Toowoomba, QLD - rent for commercial properties rose by 30-40% during 2007.
- In Port Hedland, WA the average rent for a 3 bedroom house rose 31.7% from $645 per week in December 2006 to $850 per week in March 2007.
- In Orange, NSW – the cost of premises has risen by 71% compared to 3-5% increases in other locations.

6 Trends and Developments Impacting on the Sector

6.1 Program Governance and Partnership

There has been considerable focus over recent years in community sector governance and risk management. The development of funding allocation and accountability mechanisms has shifted much of the risk for government funding bodies on to community organisations. This has sometimes strained the relationship community organisations have with government and with each other. Improving program governance and fostering partnerships between government and the sector and between provider organisations has many potential benefits for the FRSP.

FRSA believes that there is the potential to substantially enhance the relationship between the FRSP administrators and the service delivery organisations through the development of agreed principles which can be operationalised to meet the needs of both. An example would be agreement on a timeframe for advising the sector on continuation of funding when sub-programs reach the end of their contracted term. Another example would be commitment to the development of performance data collection systems that work effectively for both government and service providers.

As the national compact between the Federal Government and the nonprofit sector starts to take shape it would be important to align the principles that form the basis of the compact with principles in the FRSP. Indeed it may be that the main focus of this work could become the practical mechanisms for operationalising broader principles that underpin a partnership between government and community organisations.

Within the FRSP significant achievements have occurred through the operation of three Joint Sector-Government Working Groups. Each working group consists of representatives from service provider organisations and the two government departments that fund FRSP services. These groups have formed to explore solutions to areas of long standing difficulty, in three areas:

- Workforce Development
- Services Agreements and Funding
- Quality and Performance Measurement

Participants in all three groups report an increased understanding of the needs of the others and the complexity of the issues. There have been practical enhancements to the service agreements as well as significant development work in the area of performance measurement. A substantial workforce mapping project is now underway and this will feed into the development of a workforce development plan. FRSA believes that collaborative approaches to policy and program administration warrant further support and should be valued by both the sector and government.

> **Recommendation 19:** That program administrators be encouraged to work in partnerships to develop principles for program governance, aligned to the national compact.

7 Conclusion

The family support sector is vibrant, innovative and resourceful. It is characterised by organisations that are focused on a mission to achieve social change. Some of these organisations have been part of the Australian landscape since before Federation; others have formed more recently in response to emerging community needs or a newly defined cause.   All contribute value to our society that warrants recognition and support.

It is timely to review the contribution of the sector and identify the driving and restraining forces that impact on the effectiveness of organisations. As highlighted in this submission there are some excellent examples of innovation and collaborative practice that demonstrate the possibilities. There are also some clear areas of need, including the need to address workforce issues and inequities in regulation.

On behalf of our member organisations, FRSA welcomes the Productivity Commissions Review and the opportunity to contribute. We can readily provide more information on any of the issues or examples contained in this submission and have also encouraged member organisations to make submissions and participate in consultation events.

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9 FRSA Members

FULL MEMBERS

<u>AUSTRALIAN CAPITAL TERRITORY</u>
Centacare Canberra & Goulburn
Marymead Child & Family Centre
Relationships Australia Canberra & Region

<u>NEW SOUTH WALES</u>
Anglican Counselling Service
Anglicare NSW
Baptist Community Services
Broken Hill Family Mediation Service
Centacare Bathurst
Centacare Broken Bay
Centacare Maitland-Newcastle
Centacare New England North West
Centacare Parramatta
Catholic Care, Sydney
Centacare Wagga Wagga
Centacare Wilcannia-Forbes
Centacare Wollongong
Community Connections North Coast
Community Programs Inc
Interrelate Family Centres
Macquarie Legal Centre
Manning Support Services
Newcastle Family Support Services
Relationships Australia NSW
The Family Centre
UnitingCare Burnside
UnitingCare Unifam Counseling &
Mediation

<u>NORTHERN TERRITORY</u>
Anglicare Northern Territory - Resolve
Centacare NT
Relationships Australia NT

<u>QUEENSLAND</u>
Centacare Rockhampton
Centacare Brisbane
Centacare Cairns
Centacare Toowoomba
Centacare Townsville
Community Services Australia
Foundations Child & Family Support
Kinections
Kyabra Community Association
Lifeline Community Care Queensland
Lifeline Darling Downs & South West QLD -
Men & Relationships Program
Mackay Children's Contact Services
Men's Information & Support Assoc.
Mercy Family Services
Pine Rivers Neighborhood Centre
QPASSTT
Relationships Australia QLD
Sunshine Coast Family Contact Centre
Toowoomba Children's Contact Centre
Youth and Family Service (Logan City)

<u>SOUTH AUSTRALIA</u>
Anglican Community Care
Anglicare SA
Centacare Adelaide
Centacare Whyalla
Lutheran Community Care
Relationships Australia SA
UnitingCare Wesley Adelaide
UnitingCare Wesley Bowden
UnitingCare Wesley Port Adelaide
UnitingCare Wesley Port Pirie
Whyalla Counselling Service

<u>TASMANIA</u>
Anglicare Tasmania Inc
Centacare Tasmania
Positive Solutions
Relationships Australia Tasmania

<u>VICTORIA</u>
Anglicare Victoria
Australian Greek Welfare Society
Berry Street Victoria
Bethany Community Support
Brotherhood of St Laurance
Cairnmillar Institute
Centacare Ballarat
Centacare Melbourne
Centacare Sandhurst - Bendigo
Child & Family Services Ballarat
Children's Protection Society
City of Greater Geelong
Community Connections
Community West
Crisis Support Services
Drummond Street Relationship Centre
Eastern Access Community Health
Family Life
Family Mediation Centre
Family Relationships Institute
GordonCare for Children
Goulburn Valley Family Care
LifeWorks Relationship Counselling &
Education Services
MacKillop Family Services
Mallee Family Care
Relationships Australia Victoria
South East Migrant Resource Centre
Spectrum Migrant Resource Centre Inc
Stepfamily Association of Victoria
Salvation Army Bendigo
Upper Hume Community Health Service
Upper Murray Family Care

<u>WESTERN AUSTRALIA</u>
Agencies for South West Accommodation
Anglicare WA
Catholic Marriage Education Services
Centacare Geraldton
Centrecare

Clan WA
Men's Outreach Service Broome
Ngala
Relationships Australia WA

ASSOCIATE MEMBERS
Arafemi Victoria Inc
Australian Vietnamese Women's Welfare
Association
Central Coast Disability Network
Challenge Disability Services
Citizens Advice Bureau of WA (Inc)
Communities@Work
Drug Arm Australasia
Family Action Centre
Family Drug Support
First Light Care Association Inc
FSG Australia
Halsmith Consulting Pty Ltd
Karingal Mental Health Support
Legal Aid ACT
Legal Aid NSW
Legal Aid WA
Lifeline Australia
Lone Fathers Association Australia
MAREAA
Migrant Resource Centre of SA
Ozfame Inc (Australian Family and
Marriage Education)
Parentline ACT Inc
Parentline Vic
Pathways Counselling & Family Services
Relationships Australia - National
Richmond Fellowship of Western Australia
Robyn Sexton & Associates
Southern Youth & Family Services
Association
The Centre for Excellence in Child and
Family Welfare Inc
The Salvation Army Counselling Service
Top End Association for Mental Health
Unitingcare Family Services - Northern
Tasmania
Victoria Legal Aid

*Please note that this is a list of
organisations by trading name rather
than legal entity.*