Submission to:

Productivity Commission Inquiry into the Contribution of the Not for Profit Sector

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UnitingCare

Children, Young People and Families

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Executive Summary

UnitingCare Children, Young People and Families (CYPF) makes this submission as a large organisation operating in the child and family sector in New South Wales and the Australian Capital Territory. The terms of reference and scope of the Productivity Commission's *Inquiry into the Contribution of the Not for Profit Sector* are broad and we argue that it is necessary to segment what is a highly diverse sector in order to understand and address the issues facing both governments and Not for Profit (NFP) agencies.

The child and family sector covers areas in which both Commonwealth and State and Territory governments exercise responsibilities. It intersects with local government, a range of funded and unfunded community services and negotiates the complex interface between the private and public domains of parental rights and responsibilities. In common with the area of disability services (in which CYPF also works) the operating environment of the child and family sector is characterised by market failure. It is our contention that an understanding of this environment is crucial to appraising the efficiency and effectiveness of NFP agencies in this sector.

A detailed examination of the child and family sector is a chance to illustrate how government objectives and policies can be enacted and realised through a collaborative relationship between government and NFP organisations. In discussing the value of this approach we draw on a number of case studies including: (i) the development and implementation of the *National Framework for Protecting Australia's Children 2009-2020*; and (ii) the development of the Family Relationships Services Program (FRSP) Performance Framework and associated streamlining of funding agreements and reporting requirements.

The key element in both frameworks is a shared approach to defining, achieving and reporting on agreed population outcomes. This provides a means to reframe and broaden the discussion of NFP 'accountability' by moving away from the narrowly defined output targets and process measures traditionally used to monitor performance and measure 'success'. It builds a capacity to develop 'joined up' solutions which enhance effectiveness while minimising transaction and reporting costs. Importantly, it does not sacrifice transparent performance accountability. In arguing that a Results-Based Accountability (RBA) framework offers a systemic approach to improving both the quality of life for particular population groups and the performance of service providers and service systems we discuss the application of RBA in the *Every Child Matters* program in the United Kingdom and Victoria's *Integrated Family Services Framework*.

The CYPF submission presents national and international evidence on the importance of employing highly skilled staff - and providing ongoing opportunities for professional development - to improving program outcomes. Given that NFP organisations will be charged with delivering an increasing share of services to children and families in the years ahead, reforms which enable the NFP sector to recruit and retain qualified staff will be critical. Our submission addresses a range of issues which are pivotal to the long-term viability of the NFP sector including the disparity between government and NFP salaries for the same work; Fringe Benefits Tax concessions; administrative overheads; and the duration and quantum of funding. Creating a sustainable sector is paramount when programs are addressing long-term, multi-layered and/or intergenerational disadvantage or where positive outcomes for children and young people in out-of-home care or adults with disabilities in supported accommodation require a long-term commitment to secure and stable placement and attachment.

The submission presents positive case studies which illustrate how addressing the range of systemic issues confronting both governments and NFPs can result in streamlined processes and improved outcomes. We also consider the mutual benefits which derive from investment in prevention and early intervention, research and evaluation, and innovative programs or models which can respond to emerging issues and prevent those most in need from falling through service gaps.

It is CYPF's experience that agencies in the child and family sector are highly aware of their obligations to be accountable to a wide range of stakeholders including the people who use our services, funding bodies and the broader community. However we are also aware that the relationship between funder and provider (in this case a NFP agency) can often be problematic and characterised by unrealistic expectations and demands on both sides. That said, genuine and substantive engagement can make a difference. For example, we commend reforms being implemented by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) - to simplify reporting, compliance and data collection requirements in the Family Relationships Services Program (FRSP) - to the Commission. The reforms are the product of robust and respectful dialogue and collaboration has led to good practice principles for data collection in which the Department will:

- Ask for information once and use it multiple times;
- Use a risk management approach to the collection of compliance data; and
- Collect no data that is not used and analysed

This submission limits itself to commenting on reform priorities for the child and family sector drawing on research evidence, practice wisdom and experience, and case studies. It is written from the perspective of a large and well established agency however many of the comments and recommendations made will be of relevance to smaller providers and to other domains within the NFP sector. The recommendations of UnitingCare Children, Young People and Families to the *Inquiry into the Contribution of the Not for Profit Sector* are listed below and we look forward to the Commission's Report.

Summary of Recommendations

Recommendations:

1. That the Productivity Commission pays particular attention to the reforms required to support effective and sustainable service delivery in the context of market failure.

2. The Results-Based Accountability Framework should be utilised to measure the performance of the NFP sector and to develop ways in which organisations can contribute to population outcomes.

3. In measuring the contribution of NFPs we should focus on outcomes in the planning, delivery and evaluation of human services and move away from the setting of output targets and process measures traditionally used to monitor performance and 'success'.

4. New structures should be developed to formalise relationships and processes for consulting with NFP organisations as genuine partners and involving agencies in decision making about policy and program development and local planning.

5. Victoria's Integrated Family Services (IFS) Framework and collaborative contracting arrangements should be utilised by other jurisdictions to strengthen a preventative focus.

6. Fringe Benefit Tax (FBT) concessions should remain available to eligible NFPs but be indexed to Average Weekly Earnings. Any alternative model to reduce salary gaps must be in place before changes are made and be embedded in the taxation system as opposed to funding agreements.

7. Funding agreements should conform to the principle of pay equity to eliminate the disparity in pay and conditions for government and NFP employees undertaking work of comparable or equal value.

8. The Productivity Commission should provide advice on how the findings of existing studies of human resource issues in the NFP sector could be used to develop co-ordinated and comprehensive strategies for building the capacity and sustainability of the NFP workforce.

9. The development, specification and funding of services should acknowledge the improved outcomes flowing from the use of qualified staff and provide resources to facilitate their employment and on-going professional development.

10. External research evaluations commissioned and funded by government should provide individual reports to each NFP organisation to allow comparison of agency and site results with program averages and inform changes to practice.

11. Global budgeting arrangements and a provision to roll over unspent funds within the contract period should be supported as means to facilitate innovative approaches to service delivery.

12. Funding provided to NFP organisations charged with delivering human services must match the true cost of delivering services and be appropriately indexed. Funding agreements should span a minimum of three years and reflect the achievable outcomes over the funding period.

13. Consideration be given to the application of a Standard Chart of Accounts for NFP organisations following assessment of how the Charter could introduce consistency to the internal and external reporting requirements of larger organisations.

14. Government departments should standardise and align their submission applications, service agreements and acquittal processes for funding human services as a means to reduce compliance costs and increase the quality and usefulness of data collected.

15. Pre-Qualifying Panels be used in tendering processes to streamline the submission of organisational and compliance data.

1.   Introduction

UnitingCare Children, Young People and Families (CYPF) makes this submission as a large organisation operating in the child and family sector in New South Wales and the Australian Capital Territory. The terms of reference and scope of the Productivity Commission's *Inquiry into the Contribution of the Not for Profit Sector* are broad and we argue that it is necessary to segment what is a highly diverse sector in order to understand and address the issues facing both governments and Not for Profit (NFP) agencies.

The child and family sector covers areas in which both Commonwealth and State and Territory governments exercise responsibilities. It intersects with local government, a range of funded and unfunded community services and negotiates the complex interface between the private and public domains of parental rights and responsibilities. In common with the area of disability services (in which CYPF also works) the operating environment of the child and family sector is characterised by market failure. It is our contention that an understanding of this environment is crucial to appraising the efficiency and effectiveness of NFP agencies in this sector.

A detailed examination of the child and family sector is a chance to illustrate how government objectives and policies can be enacted and realised through a collaborative relationship between government and NFP organisations. In discussing the value of this approach we draw on a number of case studies including: (i) the development and implementation of the *National Framework for Protecting Australia's Children 2009-2020*; and (ii) the development of the Family Relationships Services Program (FRSP) Performance Framework and associated streamlining of funding agreements and reporting requirements.

The key element in both frameworks is a shared approach to defining, achieving and reporting on agreed population outcomes. This provides a means to reframe and broaden the discussion of NFP 'accountability' by moving away from the narrowly defined output targets and process measures traditionally used to monitor performance and measure 'success'. It builds a capacity to develop 'joined up' solutions which enhance effectiveness while minimising transaction and reporting costs. In arguing that a Results-Based Accountability (RBA) framework offers a systemic approach to improving both the quality of life for particular population groups and the performance of service providers and service systems we recognise that a wider set of reforms will be required to build a sustainable NFP sector which 'makes a difference'. Priorities for action include:

- The provision of funding which meets the full cost of direct service delivery.

- Simplified reporting requirements.

- Pay equity for government and NFP employees undertaking work of comparable or equal value.

- Structures and processes which support cooperation and collaboration between service providers and government underpinned by respectful and substantive engagement.

- Support for innovation and the freedom to deliver services in a way which maximises contributions to better population outcomes.

1.1 About UnitingCare Children, Young People and Families (CYPF)

UnitingCare Children, Young People and Families (CYPF) is a Service Group of UnitingCare NSW.ACT and part of the Community Services division of the Uniting Church in Australia. Our concerns for social justice and the needs of children, young people and families who are disadvantaged inform the way we serve and represent people and communities.

UnitingCare Burnside, UnitingCare Unifam and UnitingCare Disability are agencies of CYPF and together constitute one of the largest providers of support services to children, young people and families in New South Wales. The annual income for CYPF in 2007-08 was $41.6 million (excluding income from UnitingCare Disability which joined the Service Group in 2008-09) with 71 per cent of income derived from government funding. In 2007-08, we assisted 23,132 service users including 5,106 children and young people and 1,738 Aboriginal or Torres Strait Islanders. CYPF currently employs over 650 staff.

1.1.1 About UnitingCare Burnside

The services provided by UnitingCare Burnside (Burnside) are inclusive and based on achieving just, safe and healthy life experiences for children, young people and families. We aim to protect children from abuse and neglect by breaking cycles of disadvantage and building on strengths. Services are provided across the continuum of care in order to support healthy family relationships, encourage positive change through education and learning, and to build strong and connected communities. Our services range from prevention, early intervention and child protection programs through to the provision of out-of-home care and community development activities. Burnside programs operate exclusively in areas characterised by socio-economic disadvantage and are principally funded by the NSW Department of Community Services (DoCS). Additional funding is derived from other state government departments and the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).

In 2007-08, Burnside received government funding of $25.8 million and employed 413 staff. In the same period we assisted, 9,961 service users and experienced a 73 per cent increase (to 2,340) in the number of children aged 0-5 years who participated in Burnside programs. This sharp growth reflects the introduction of the DoCS-funded Brighter Futures program and our increasing commitment to child development and early childhood education and care. When we remove service users who were participants in group work programs, our largest program clusters in 2007-08 were 'families and communities' (supporting 4,922 service users), 'child protection' (1,435) and 'young people' (1,298). Nearly three-quarters of program participants received intervention at the secondary level (56.4 per cent) or tertiary level (17.2 per cent) reflecting a focus on targeted services for children, young people and families who are in need of greater support and for those families in which child maltreatment has already occurred and there is engagement with statutory care and protection services.

1.1.2 About UnitingCare Unifam

UnitingCare Unifam Counselling and Mediation (Unifam) is a large provider of counselling, mediation and relationship education programs in New South Wales. It aims to assist children, young people and adults at times of relational and personal difficulties, and supports families to manage conflict and rebuild safe and respectful relationships following separation and divorce. In 2007-08, Unifam provided services to 13,171 clients (an increase

of 40 percent on 2006-07); received government funding of $7.4 million; and employed 130 staff.

The majority of Unifam's services are delivered under the Australian Government's Family Relationships Services Program (FRSP) which is jointly funded by FaHCSIA and the Attorney-General's Department (AGD). FRSP services are delivered by NFP organisations throughout Australia. Unifam also receives NSW government funding from DoCS to run the 'Options' program for adolescents and parents and the NSW Office of Liquor, Gaming and Racing to provide a Problem Gambling Service on the Central Coast.

1.1.3 About UnitingCare Disability

UnitingCare Disability was established in 2008 to provide a lead role in the provision and development of services to people with disabilities and their families across UnitingCare. In addition to the provision of direct services such as supported living and flexible respite services, UnitingCare Disability provides specialist case management to people with disabilities, their families and carers who are experiencing difficulties with current support arrangements or who have no supports in place. It also provides accommodation outreach services to support people with disabilities who have been relocated following the closure of boarding houses or who are living in their own homes. UnitingCare Disability currently employs 43 staff and all programs are funded by the NSW Department of Ageing, Disability and Home Care (DADHC).

1.2 Market failure

The problems identified and ideas advanced in this submission are made by an organisation which is large, long-established and which has highly professional support systems and governance structures in place. Our focus on providing services to children, young people and families with complex needs who live in circumstances and/or communities characterised by socio-economic disadvantage means that we operate in an environment characterised by market failure. The services CYPF and its agencies provide are generally delivered by government and other NFPs. However a key trend in the child and family sector has been for government to increasingly fund the provision of services by external agencies (particularly NFP agencies) and to scale back on direct service delivery. For UnitingCare Burnside this has been reflected in a real increase in government funding from $12.6 million (2007-08 dollars) in 2002-03 to $25.8 million in 2007-08 - a real annual increase of 20.8 per cent (2007-08 = 100).

In generic terms, market failure occurs when a market or system of markets is unable to provide socially optimal levels of service. When providing access to services such as quality early education and care has positive social externalities which exceed private benefits then the free market will not produce the optimal quantum of education and care for all children. As a result, governments may provide services directly or fund other organisations to undertake this work.

In the same vein, parents who use CYPF services may not have the capacity to purchase services that their family or children need or may not have access to information about how purchasing or not purchasing a service will benefit or harm their child. Given that early childhood experiences are known to influence important outcomes throughout life, a concern for social justice requires the involvement of government to promote healthy development.

Dollery and Wallis (2001) provide a framework for examining comparative advantage in social service delivery. Understanding the nature of the disadvantage experienced by children, young people and families using the services provided by Burnside, Unifam and UnitingCare Disability helps to flesh out why NFPs have a 'comparative advantage' - relative to government agencies and private firms - in supporting these groups.

Firstly, many of our service users experience personal disadvantage such as disability or poor mental health alongside financial disadvantage. This combination would leave them unable to exercise rational preferences even if cash transfers from government were sufficient to allow the purchase of market services. Dollery and Wallis (2001:8) argue that when people depend on others (including parents, relatives or guardians) to act in their interests, the profit motive generates moral hazards for private providers. They also argue that NFPs with highly committed staff are better suited to managing the complex circumstances of personally disadvantaged clients relative to government departments. Secondly, it is argued that when service users experience both financial disadvantage and social disadvantage (defined as belonging to a group which is stigmatised or excluded from the broader community) the absence of public sympathy renders assistance by public agencies problematic and government failure highly likely. Finally, where disadvantage is endemic at a community level, private providers are unlikely to engage in service delivery due to resource constraints while governments may struggle to build trust where the community views their interventions as being short-term or punitive in nature (Dollery and Wallis, 2001:9).

In the case of Burnside and UnitingCare Disability, all four dimensions of disadvantage (financial, personal, social and community) co-exist in the families with whom, and the communities in which, we work. Other NFP organisations and government agencies dominate provision in our service domains yet, as we will discuss in Section 5, a key trend is to shift a greater proportion of early intervention, prevention, child protection, supported accommodation and out-of-home care services to the NFP sector. Burnside service users would generally be unable to afford fees if these were charged and this represents another deterrent to private service provision. Similarly, the DADHC programs which provide funding for UnitingCare Disability are awarded by competitive tender although all contracts are currently held by NFP providers including small community-based organisations. Many providers of disability services - such as those delivering the Home and Community Care (HACC) Program - do operate in mixed markets in which a significant number of private providers and local councils hold government contracts. UnitingCare Disability does not charge fees for DADHC programs with the exception of a nominal fee for respite care. By contrast, HACC services charge clients fees on a sliding scale and fees and income thresholds are indexed annually.

With respect to the 'market' in which Unifam operates, the position is a little different to that occupied by Burnside and UnitingCare Disability. While FRSP programs are delivered by NFPs, mediation and counselling services for families needing relationship assistance are delivered by a range of providers including counsellors, mediators and psychologists in private practice. As we will discuss in Section 3 this competition also impacts on Unifam's ability to recruit and retain qualified staff.

Unifam's programs can be accessed by any individual, couple or family for whom a particular program can be of assistance however Unifam chooses to operate in areas characterised by socio-economic disadvantage in order to support families and communities who are most in need. Services provided through Family Relationship Centres, the Supporting Children after Separation Program and the DoCS Options Program are free. For all other services, Unifam charges fees according to a sliding scale. However the capacity of the agency to generate fee revenue is modest due to the low incomes of a large proportion of our client group and

the introduction of Medicare rebates for psychological treatments provided by registered psychologists.

1.3   Submission structure

The remainder of this submission follows the broad structure of the Productivity Commission's Issues Paper and particular attention will be given to the following issues:

Measuring the contribution of the sector:

- The Results-Based Accountability framework
- Population outcomes for children, young people and families

Enhancing the efficiency and effectiveness of the sector:

- Partnership models
- Human resources
- Effective partnerships
- Supporting innovation

Service delivery:

- Funding adequacy and true costs
- A Standard Chart of Accounts
- Simplifying reporting requirements
- Performance accountability

Trends and developments:

- Focusing on prevention and early intervention
- Increased service delivery by NFPs

As we argued in the introductory remarks it is important to give attention to the impact of market failure on how services are delivered and by which agencies. Given the diversity of the NFP sector, and considerable differences in the 'markets' in which NFP providers operate, we urge the Productivity Commission to consider the reforms required to support a sustainable and effective model of service delivery which will enable organisations like UnitingCare Children, Young People and Families to make a difference to those most in need.

Recommendation:

1.   That the Productivity Commission pays particular attention to the reforms required to support effective and sustainable service delivery in the context of market failure.

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2. Measuring the Contribution of the Sector

2.1   A Results-based Accountability Framework

While the Productivity Commission's draft framework for measuring the contribution of the NFP sector (2009: Figure 2) may support the compilation of statistical data, the framework provides examples rather than conceptual clarity in its discussion of 'inputs', 'outputs', 'outcomes' and 'impacts. CYPF argues that it is more important to utilise a framework which provides what Friedman (2002) describes as a disciplined thinking process which helps individuals, organisations and governments to implement actions which will measurably improve the lives of children, families and communities. Friedman's Results-Based Accountability (RBA) Framework fulfils this objective.

RBA (sometimes known as outcomes-based accountability) was developed by Mark Friedman of the Fiscal Policy Studies Institute and has been used in the United States, Britain and more recently in Australia as a systematic way to improve the quality of life for particular population groups and the performance of specific services, agencies and service systems. It provides a pathway for multi-agency partnerships and individual organisations to prioritise the outcomes they want to improve and determine what strategies are needed to achieve them (Department for Children, Schools and Families: 2008). The following four ideas (Friedman, 2002) are central to the RBA framework:

1. A *Result* (or outcome or goal) is a condition of wellbeing for children, adults, families or communities. They are about population quality of life, not specific programs, agencies or services.

2. An *Indicator* (or benchmark) is a measure which helps quantify the achievement of a result.

3. A *Strategy* is a coherent collection of actions which has a reasoned chance of improving results.

4. A *Performance Measure* is a measure of how well a program, agency or service system is working.

RBA makes a key conceptual distinction between *population accountability* where the aim is to achieve better outcomes for particular groups (such as all children and young people) in a defined geographical area; and *performance accountability* which is intended to improve outcomes for the users of individual services, agencies and departments as a contribution towards achieving better outcomes at population level. This distinction is critical but poorly understood. It is clearly the case that no single NFP or government department is solely responsible for, say, improving health outcomes for children or people with disabilities. Similarly, the distinction RBA makes between 'outcomes' (end results) and process indicators is important, because measuring 'success' on the basis of 'outputs' (which describe service specifications, delivery mechanisms and procedures) alone can be misleading. It is entirely possible for NFPs to deliver services that meet a wide range of process targets (such as timeliness and participation levels) specified in government contracts without improving outcomes for the people or communities it is supporting.

The RBA framework does not argue that NFPs be unaccountable for their performance. On the contrary, it argues that services be given greater freedom to implement strategies designed to improve population outcomes while being required to provide clear and reliable

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information on performance. Government will continue to have a key role in ensuring the quality of services provided but may do this through minimum service standards or accreditation systems as opposed to top-down output targets (UK Government, 2009).

How can NFPs use the RBA framework? Organisations develop a series of performance measures to respond to the questions: (1) What did we do? (2) How much did we do? and (3) Did we make a difference? This process helps managers to build an approach to performance assessment that distinguishes between 'quantity' and 'quality' and between 'effort' and 'effect' and to then examine how the agency can work to improve on its own baseline. Friedman (2002) sets out the following eight questions which NFPs can use to develop a performance accountability framework to improve program performance:

1. Who are our customers, clients, people we serve?

2. How can we measure if our customers/clients are better off?

3. How can we measure if we are delivering service well?

4. How are we doing on the most important of these measures?

5. Where have we been; where are we headed?

6. Who are the partners who have a potential role to play in doing better?

7. What works and what could work to do better than baseline?

8. What do we propose to do?

2.2 Applying RBA at an organisational level

In late 2006, DoCS provided funding to NSW Family Services - a peak body supporting NFPs that provide services to families experiencing stress - to pilot the introduction of RBA with member organisations (including Burnside and organisations receiving funding under the Community Services Grants Program) and to develop performance measures relevant to family support services. CYPF found the framework to be logical, relevant and constructive and have provided training to a significant number of staff in order that RBA can guide our operational planning and support continuous quality improvement.

The way in which RBA is applied at a program level is best illustrated by the following case study:

Case Study 1: Using an RBA approach to improve education outcomes for young people in foster care

In 2004 UnitingCare Burnside commissioned a research paper on the educational outcomes of children and young people in our foster care program in Western Sydney. While the study showed that Burnside performed well in terms of placement and school stability, participation in extra-curricular activities and high levels of commitment to educational goals, just 38.5% of those old enough to have achieved an HSC had completed Year 12. This was only slightly above the average (35.6%) for children in out of home care and well below the average (80%) for children living with their birth families. In order to establish strategies to improve the school completion outcomes, a working group was established to implement the recommendations made in the 2004 report with respect to record keeping, carer support for educational achievement, provision of tutoring and other external supports, provision of adult mentors, provision of skilled career planning from Year 9 on, an educational focus in carer assessment and training, and further tracking of the educational attainment of children in care in Western Sydney foster care.

The working group met on a six monthly basis over the following three years to monitor progress and develop new strategies. An 'education census sheet' was developed to support case workers to focus on educational outcomes and to track changes for each young person in care on an annual basis. Three years on, educational outcomes for young people in our foster care programs have improved dramatically. While the full results are reported in Nixon (2008), we note that retention to Year 12 is up to 93-100% (way above the NSW average and our 2004 baseline) and in 2007, 80% of our young people who had left school the year before were engaged in further learning at TAFE, university or in trade courses.

The results achieved by Burnside link directly to the population outcomes specified in the *Melbourne Declaration on Educational Goals for Young Australians* released by the State, Territory and Commonwealth Ministers of Education in December 2008. One of the goals specified by the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA, 2008) is that:

All young Australians become:
- *Successful learners*
- *Confident and creative individuals*
- *Active and informed citizens*

The Declaration sets out an action plan which includes steps for supporting senior years of schooling and youth transitions. The establishment of a *Compact with Young Australians* by the Council of Australian Governments (COAG) in May 2009 represents a major policy initiative to support the MCEETYA outcomes and will see COAG lift the national year 12 attainment level to 90 per cent by 2015 (Prime Minister of Australia, 2009).

2.3   The application of RBA in Australia

2.3.1 The National Child Protection Framework

UnitingCare Children, Young People and Families is heartened by the adoption of population outcomes in the *National Framework for Protecting Australia's Children 2009-2020* (COAG,

2009) and the RBA approach which has been established to support delivery. As the Council of Australian Governments (2009: 11) explains:

"The *National Framework for Protecting Australia's Children 2009-2020* consists of high-level and supporting outcomes, strategies to be delivered through a series of three-year action plans and indicators of change that can be used to monitor the success of the National Framework. The actions and strategies that governments and others will agree to take under this National Framework are all aimed to achieve the following high-level outcome: *Australia's children and young people are safe and well.*

"As a measure of this outcome, governments and the non-government sector have set the following target: *A substantial and sustained reduction in child abuse and neglect in Australia over time.*

"To demonstrate progress towards achieving the target the following measures have been identified:

- Trends in key national indicators of children's health, development and wellbeing.

- Trends in hospital admissions and emergency department visits for neglect and injuries to children under three years.

- Trends in substantiated child protection cases.

- Trends in the number of children in out-of-home care.

"The six supporting outcomes are:

1. Children live in safe and supportive families and communities.

2. Children and families access adequate support to promote safety and intervene early.

3. Risk factors for child abuse and neglect are addressed.

4. Children who have been abused or neglected receive the support and care they need for their safety and wellbeing.

5. Indigenous children are supported and safe in their families and communities.

6. Child sexual abuse and exploitation is prevented and survivors receive adequate support.

"The supporting outcomes and strategies help to focus effort and actions under the National Framework in order to reach the high-level outcome. Indicators of change are provided to measure the extent to which governments and non-government organisations are achieving the supporting outcomes. Given the inherent difficulties in isolating the impact of specific actions on broader social outcomes, a broad suite of indicators have been identified which, when viewed collectively, will be reported annually and provide a basis for measuring progress over the life (12 years) of the National Framework."

2.3.2 The Family Relationship Services Performance Framework

FaHCSIA and AGD in partnership with a Working Group on Quality and Performance Measurement which contains both government and FRSP sector representatives are in the process of developing a revised Family Relationship Services (FRS) Performance Framework. The framework has yet to be finalised however Unifam has been impressed by:

1. The genuinely collaborative approach taken to the development of the Framework which will increase the likelihood that the framework will be relevant to both NFP providers and government and provide both groups with consistent information to guide continuous quality improvement.

2. The use of RBA methods to build a single, outcomes-focused framework for early intervention services, post-separation services and Family Relationship Centres. While collecting data on the quantum and quality of service provided, the overarching focus is on whether FRS has made a difference for families in the short and medium term.

3. The clear focus on evidence-informed policymaking allied with utilisation of the framework to reduce reporting requirements, standardise data collection and minimise red tape.

While the FRS Performance Framework will provide greater flexibility and minimise red tape for service providers it simultaneously offers important benefits to government. In particular, new client outcome data will be collected more efficiently and support national program management and development purposes; and focusing on client outcomes will complement ongoing research and evaluation activities to strengthen the evidence base on the therapeutic value of the Family Relationship Service Program to families.

Recommendations:

4. The Results-based Accountability Framework should be utilised to measure the performance of the NFP sector and to develop ways in which organisations can contribute to population outcomes.

5. In measuring the contribution of NFPs we should focus on outcomes in the planning, delivery and evaluation of human services and move away from the setting of output targets and process measures traditionally used to monitor performance and 'success'.

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3. Enhancing the Efficiency and Effectiveness of the Not for Profit Sector

In Section 3, we focus on (i) regulatory environments which facilitate or impede effective partnerships between government and NFPs; (ii) the challenges which confront NFPs with respect to recruiting and retaining qualified staff; and (ii) measures to support research, innovation and evaluation as a means to improve service quality. Please note that impediments to the effective and efficient delivery of government-funded services which arise from inadequate funding and unproductive contractual and reporting relationships are addressed in Section 4.

3.1 Effective partnerships

In the UK, the partnership model which underpins the *Every Child Matters* agenda and the *Children's Plan* aims to support the "joining up" of children's services in order that every child, whatever their background or their circumstances, have the support they need to:

- Be healthy
- Stay safe
- Enjoy and achieve
- Make a positive contribution
- Achieve economic well-being

The shift to Children's Trust arrangements which require an integrated governing board representing all key partners at a senior level and joint planning and joint commissioning of services with pooled resources between partners (UK Department for Children, Schools and Families, 2008 cited in ARACY, 2009: 62-64) is consistent with the RBA framework discussed in Section 2 which recognises that no single agency can deliver any one of the above outcomes. While the Department for Children, Schools and Families acknowledges that the vision of integrated governance is yet to be fully realised (2008: 19) - and Australian parties interested in system reform should recognise that the process is challenging - it remains critical to address the system fragmentation that mitigates against a focus on prevention. The key causes of fragmentation identified in the UK Children's Green Paper - separate targets, planning requirements, funding streams and review and accountability arrangements (cited in ARACY, 2009: 15) - remain key features of the environment in which the Australian NFP sector operates.

The Australian Research Alliance for Children and Youth argues that the way forward is to merge separate service organisations - both government and non-government - into an integrated system that is managed as a 'system' and held accountable for effective service provision in the context of local needs and conditions (Vinson 2001 cited in ARACY, 2009). Integrated governance fits within a RBA framework as it begins with the articulation of a shared vision and purpose, agreement on the key tasks to achieve them, and identification of the indicators to judge effectiveness.

CYPF is not advocating that the UK model can or should be transplanted to the Australian system without due regard for the different institutional features of the two countries. However, we do argue that the model which underpins *Every Child Matters* and the *Children's Plan* offers examples of new structures which could be developed to formalise relationships and processes for gaining NFP input and involving agencies in decision making about policy and program development and local planning. These examples merit serious consideration and debate.

For ARACY, integrated governance arrangements "permit, support and facilitate cooperation and collaboration among different agencies". However it also warns that it is not enough to simply integrate relationships at the local level. This hints at why the Australian focus on lead agency arrangements as a means to give effect to collaborative relationships why successful in some instances can be hindered if there is a lack of integration above it.

3.1.1 Reflections on lead agency arrangements

The CYPF experience of lead agency models has been mixed. In the case of Unifam, the Resilient Families Group (a consortium of Unifam and Relationships Australia) have been awarded contracts for Family Relationship Centres. The lead agency and partner agency relationships have worked well because memoranda of understanding (MOUs) are clear with respect to responsibilities, risk management and processes by which disagreements between partners will be resolved. Reporting lines and structures do not cut across the governance arrangements of member organisations and the lead agency drives day-to-day program management. The partnerships have allowed the sharing and exchange of ideas at the level of program design, policy and strategy while the consortium arrangement means an agency sometimes offer services from a FRC managed by its partner and has allowed for joint staff training and professional development programs.

Burnside is more circumspect about the benefits of the lead provider models in which it has participated. Our experience in delivering contracts as a lead provider in the NSW Government's Brighter Futures program (an early intervention program funded by DoCS) is that rigidity in program design and reporting requirements make it difficult to work in a genuinely collaborative way. Sub-contracting involves additional transaction costs and we are not convinced that it enables us to deliver better outcomes for children and families or that it builds the capacity of small agencies as was its original intent. The Brighter Futures model involves a significant transfer of risk from government to the lead NFP agency who assumes responsibility for the compliance of other partners with service specifications and standards.

3.1.2 Respect and engagement

For the NFP sector to more effectively contribute to improved wellbeing outcomes for children, young people and families will require genuine engagement between government and NFPs in the process of planning and making policy. With respect to tackling 'wicked problems' such as child abuse and neglect, ARACY (2009: 65) notes:

> *Non-government organisations (NGOs) play a critical part in providing services in the current systems and it is likely that if the system was reformed to a public health model, the role for NGOs would also increase. Substantive engagement with NGOs will be required to bring about this change, including real consultation in policy development with NGOs, who hold much of the operational 'know-how' about what works from a policy and implementation perspective. Service providers also have detailed knowledge about the views of service users.*

We would urge the Productivity Commission to look at the detailed case study of Victoria's Integrated Family Services (IFS) framework presented in ARACY's report on improving systems to protect children. The IFS provides a common outcomes framework and supports a shift from a tertiary focus for protecting children to one that includes a strengthened role for secondary and primary prevention. From CYPF's perspective, the IFS fosters a collaborative

approach to service implementation and brings together service networks, casework and planning approaches and services. The governance of the child and family services sector is integrated and can be characterised by activities undertaken at three levels (ARACY, 2009: 73):

- State-wide - coordinated and led by the Office for Children (within the Department of Human Services) in conjunction with key advisory groups, sector stakeholders and peak bodies.

- Regional - coordinated by the Department of Human Services and community services organisations, and responsible for monitoring performance of services

- Subregional catchment - Child and Family Services Alliances responsible for catchment planning, operational management and service coordination.

The framework explicitly recognises that child and family services, in partnership with the Department of Human Services, are best placed to determine the best operating model in each catchment. Legislation provides for the establishment of performance standards and the monitoring of compliance against these standards to ensure service providers remain accountable and effective while funding for the IFS is provided by the Department of Human Services through collaborative (non-competitive) contracting. The method of allocation of funds is determined in accordance with the department's Policy on Funding Relationships, which considers the need for best value, partnerships and financial responsibility. No IFS funds are distributed through formal tender processes and it is argued that smaller NFPs are more able to establish themselves as viable service providers when they work in partnership with larger NFPs (ARACY, 2009: 75-78).

At a local level, the following two case studies compare the benefits which can flow when government departments respect the local understanding and operational expertise of NFPs and adapt service specifications to facilitate improved outcomes (Case Study 2) with the poor service models which result when governments fail to offer such respect and support (Case Study 3).

Case Study 2: Aboriginal Intensive Family Support Services - an effective partnership between DADHC and Burnside

In 2006-07 a partnership between Burnside and the Spastic Centre, was successful in a competitive tender and received funding from the NSW Department of Ageing, Disability and Home Care (DADHC) to deliver Intensive Family Support Options (IFSO) in the Campbelltown area of South West Sydney. IFSO is a short-term (12 week) tertiary intervention program to assist families who have a child or young person with a disability who is at risk of out-of-home care due to extreme family stress or breakdown.

At the same time, DADHC held a competitive tender to develop this service for Aboriginal families with a child or young person with a disability in the Orana Far West region of NSW. Burnside was awarded this tender for what is now called Aboriginal Intensive Family Support Services (AIFSS). It is believed that a key factor in winning the tender was Burnside's track record of engagement with Aboriginal families and local communities in delivering out-of-home care services in the west of the state. DADHC recognised that its earlier attempts to deliver these support services to Aboriginal families had been under-subscribed.

Twelve months later, DADHC approached Burnside to participate in a direct tender to develop two additional services to support this group. The first project called Extended

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Family Support was brokerage funding to support families in the Orana Far West. The second project called the Aboriginal Support Network provides support for siblings, peers and parents of children with a disability. With brokerage as a key component, this mix of DADHC funded services allows the 'whole' to be far more effective in meeting the needs of Aboriginal families than the 'sum of its parts'.

In the development of these three projects, DADHC has engaged in a collaborative process with Burnside. DADHC's policy staff, both Aboriginal and non-Aboriginal, have been prepared to listen and take account of Burnside's experience working with vulnerable and marginalised communities in the region. In addition, the reference group established for the AIFSS (which includes representatives of the local Aboriginal community) has been able to make recommendations, which have been incorporated into the development of the program. The relationship between DADHC, Burnside and other members of the reference group has been direct, respectful and trusting. All parties have sought to work effectively with each other in order to maximise the benefits for the families using the program.

For example, there has been open and transparent dialogue about the most effective service specifications. DADHC has been prepared to consider the specific circumstances of delivering an intensive home-based family support service across a wide geographic area spanning Wellington, Dubbo, Narromine, Coonamble, Brewarrina, the Warrumbungles and Walgett. The original caseload of three to four families (depending on need) per staff member has now been reduced to two to three families per staff member. The original 12-week program has been extended to 16 weeks to improve and consolidate the gains made by families.

Underpinning DADHC's adaptability in how funding is deployed is their appreciation of the benefits of a continuum of care and support services for Aboriginal families and the broader community. DADHC also recognises that investment in family support programs represents significant cost savings to government over the longer term as these services prevent children and young people with disabilities from entering the out-of-home care system. Enabling Aboriginal children to remain with their families also helps to strengthen community capacity and to realise wider goals of social inclusion.

Burnside has just completed negotiations with DADHC for a further three-year funding agreement for the AIFSS program. It is anticipated that over the next three years Burnside will work with DADHC and the local community to develop a plan which will enable the eventual transition of service delivery to a locally based Aboriginal organisation.

The key to success for the AIFFS program has been a strong collaborative partnership between the NSW government agency (DADHC), the NFP social service provider (Burnside) and the locally based reference group. The partnership arrangement has allowed the service specifications to develop over the period of the funding agreement. This has enabled a more effective use of resources which, in turn, has strengthened the outcomes of the program for Aboriginal families with a child or young person with a disability.

Case Study 3: MYSAAP - government failure to support an effective local partnership

In 2002, the NSW Department of Community Services (DoCS) and the Youth Accommodation Association (YAA) formed the Macarthur Youth Supported Accommodation Assistance Program Network Group (MYSAAP) to identify the best way in which the SAAP Youth Services and the service system should develop and operate in the Macarthur Region. The Macarthur Region covers the Local Government Areas of Camden, Campbelltown and Wollondilly.

The MYSAAP members are: Campbelltown Uniting Church (Stepping Stones), Mission Australia (Harold Lodge and the Supported Living Program), St Vincent de Paul (Vinnies Youth Housing), UnitingCare Burnside (The Drum Youth Resource Centre), and the Youth Accommodation Association (YAA). Until late 2008, YAA had a dual role on the Group as the temporary auspice agency for Allawah House and the peak body in supported accommodation for homeless young people.

MYSAAP has worked together for over six years in developing a service delivery model that is supported by evidence-based research and is agreeable to all the members of the group. Funding was allocated to this purpose by DoCS and three different consultancies were implemented during this time. MYSAAP identified that young people who are homeless or at risk of homelessness have a wide range of needs and situations which require the SAAP service system to provide a range of options.

On the basis of the research evidence, MYSAAP identified the service components required to provide a Continuum of Care model of service delivery. The proposal is to re-shape existing programs to enable the following mix of services to best support homeless young people in Macarthur:

- Emergency accommodation and short-term intensive support during crisis periods (Allawah House - female specific; Stepping Stones - male specific);
- Medium term support on a 24x7 basis for young people who need continuing guidance and support within a family setting, especially those younger adolescents for whom the out-of-home-care system is not catering (Harold Lodge and newly created Community Care houses) ;
- A range of services to assist young people to live semi-independently with ongoing support from case managers (Vinnies Youth Housing and The Drum Youth Resource Centre); and
- Information, referral, case management, and brokerage services (The Drum Youth Resource Centre).

This proposal would have increased the capacity of the existing service system by 36 per cent (an additional 15 beds) and, more importantly, create crisis accommodation for young men which has never been available in the Macarthur Area. The success of this proposal depended upon a relatively small injection of funds and the creation of an avenue to address very real viability concerns of existing programs within the service system. Specifically, Mission Australia alerted the MYSAAP Network Group to an unsustainable agency contribution of $80,000 per annum in the operation of Harold Lodge.

In mid-2008, DoCS made a decision to conduct an open competitive tender process for the permanent auspice of Allawah House, which was under an interim arrangement with YAA for close to 5 years. The MYSAAP Network Group had worked solidly together for over six years to plan for the best use of available resources in the Macarthur Area. There were

serious concerns regarding the DoCS decision to conduct an open competitive tender process, as distinct from a select tender process.

Conducting a select tender process would have provided:

- A straightforward solution to some of the project viability concerns which had been identified;
- Recognition of the commitment, knowledge and expertise of the member agencies and individuals of the MYSAAP Network;
- Local youth-specific management and implementation; and
- Value for money - combining projects under the same auspice within the same Network group would ensure economies in administration and other operational domains.

Of even greater concern is the fact that DoCS made its decision without any demonstrable consideration of the:

- Context of the MYSAAP Network Group;
- Research that had been conducted, and the funds invested to carry it out;
- Staffing hours and other resources dedicated to this project by a range of organisations for over six years;
- Evidence-based development of a preferred model; and
- Viability concerns with respect to existing programs.

3.2   Human Resources

3.2.1 The need for a comprehensive workforce strategy

A comprehensive workforce development strategy is critical to ensuring that the not-for-profit social and community services sector can continue to deliver high-quality and effective services for people, including children and young people, who are most in need. An effective workforce development strategy will include national and state-based perspectives. It will also be based on an equal partnership between government agencies and not-for-profit social and community services organisations in order to determine the strategy's terms of reference, development models, outcomes, consultation and implementation methods, monitoring and evaluation.

Developing a sustainable and well-trained workforce is a key strategic concern for the NFP sector and the following factors are driving the need for change:

- Increasing demand on services due to growing numbers of people and communities experiencing long-term disadvantage and deprivation.

- Increasing numbers of service users who have significant and complex needs which require specialist staff to deliver high-quality and responsive services.

- Increasing shift of the delivery of social services to the non-government sector.

- Increasing skill and labour shortages that require a planned approach to training and ongoing professional development.

- Diminishing workforce supply due to the pay disparity with employees undertaking like work in the public and private sectors as well as an ageing workforce and an ageing population.

There is broad consensus within the NFP sector that an effective workforce strategy would take a long-term view (10-20 years); be developed in partnership with government agencies (as the funders and regulators of the sector); and include employer groups, unions as well as vocational and tertiary education providers. It would also be underpinned by research on workforce needs and the benefits that qualifications, skills and experience bring to improving the outcomes for service users.

A number of research projects have been initiated to build a picture of workforce demographics, the challenges in recruitment and retention of qualified and experienced staff and the sector's skills development and training needs. For example, the Council of Social Service for NSW (NCOSS) has commissioned the University of Sydney's Workplace Research Centre to develop a workplace profile that will form the baseline for workforce planning and strategic development over the coming years.

The Australian Services Union (ASU) has undertaken research through an online survey and consultation forums with social service sector workers and managers around the country. The findings highlight the importance of developing a skilled and sustained workforce as part of the Australian Government's commitment to a Social Inclusion Agenda (ASU, 2007). The ASU has also published a national plan outlining eight key strategies to address the workforce development crisis (ASU 2009). These strategies cover:

- Improved career structures
- Improved education pathways
- Increased levels of funding
- Industry accreditation and staff certification
- Accreditation of services
- Certification of all staff aligned with new career and education pathways
- Improved employment conditions
- Adequate staffing arrangements

The importance of building a sustainable and well-qualified workforce to enable the effective delivery of contemporary social policy priorities has also been acknowledged in recent inquiries and by state and federal governments. For example, the Special Commission of Inquiry into Child Protection Services in NSW has identified workforce development as a key element in the overall reform of the child protection system in NSW. The report acknowledges that recruitment and retention of a "skilled, diverse workforce to provide services in all parts of the State" is a challenge for both state government human services agencies and NFP organisations (Wood, 2008: iii). Commissioner James Wood made two key recommendations on the workforce needs of the child protection system in general and NFP providers in particular. Recommendation 10.8 (Wood, 2008: 387) states that:

- A workforce strategy should be established which takes into account the needs of NGOs to employ additional staff and to accommodate the progressive transition of early intervention and out-of-home care casework to the NGOs; and

- NGOs should receive sufficient funding to develop the infrastructure needed to attract experienced staff, and be assisted in providing uniform training for caseworkers and carers.

With respect to the second point, we discuss the need for funding which reflects the true cost of service delivery and appropriate indexation arrangements in Section 4 and note that the

Fringe Benefits Tax (FBT) concession plays a critical role in assisting CYPF to attract and retain direct care staff (including caseworkers, psychologists and counsellors), administrators and managers who can earn significantly higher salaries in the public or private sectors. The concession serves to close a proportion of this salary gap.

It is not clear whether the Henry Review will make a recommendation to alter the FBT concession but it is imperative that any replacement mechanism to support the capacity for NFPs to recruit and retain staff is put in place before any changes to current arrangements are made. The mechanism must be simple, elegant and remain embedded in the taxation system. Transferring the support available through the FBT concession to program funding arrangements is a risk the sector cannot afford to take given that the concession represents a significant exercise in cost-shifting from the states to the Commonwealth and the funding models which apply to NFPs vary significantly according to sector, service type and state boundaries. It is similarly critical that the FBT concession (and/or its replacement) is indexed. The present exemption remains capped to the grossed up value of $30,000 per employee as set by the Fringe Benefits Tax Assessment Act 1986. We argue that that the FBT exemption should be indexed to average weekly earnings in order to maintain alignment with wage movements and indexation be backdated to when the threshold was set at $30,000 per worker.

In a market failure context where programs are provided by government or the NFP sector, there is an urgent need to address the gap in wages and conditions afforded to public sector and NFP employees undertaking like work. The principle of pay equity needs to be built into funding agreements to enable the NFP sector to recruit and retain qualified staff. In recent times, the Queensland Services Union made an application to the Queensland Industrial Relations Commission (QIRC) for a determination under the Equal Remuneration Principles of the appropriate wage rates for workers covered by the Queensland Community Services and Crisis Assistance Award. In May 2009, the QIRC ruled that the work of social and community services workers in Queensland had been undervalued and that wage adjustment to the relevant Award was needed to remedy this situation. The decision provides for wage increases of between 18 per cent and 37 per cent phased in over a three year period from July 2009. Given that the Awards for workers in the social and community services sector in other states are very similar to that in Queensland, the argument made by the QIRC in its ruling provides grounds for similar applications in each state and for governments to fund recommended increases:

> The overriding public interest consideration in this matter is to ensure that employees in this sector are remunerated commensurate with their work value and in a way that is affordable to the funding bodies. This will ensure that qualified, competent employees are attracted and retained in the sector to provide quality services, that services users receive appropriately funded quality services so as to properly assist them to increase their capacity ... and finally that the services can be provided at a cost reasonable to the taxpayer (QIRC, 2009: 32)

Finally we note that the effectiveness of workforce strategies initiated by state and territory jurisdictions will be strengthened if they are linked with strategies developed at the national level. Workforce issues raised by the Community and Disability Services Ministers' Advisory Council (CDSMAC, 2009) and in the Federal Government's white paper on homelessness (Commonwealth of Australia, 2008) highlight that workforce development in the NFP sector is critical to key social service agendas including child protection, homelessness and disabilities and that similar challenges confront NFP providers in a range of service domains. Ipso facto lasting, effective and sustainable change will need to be approached in a holistic and co-ordinated way and involve effective partnerships between the NFP sector, all levels of government and departments involved in service delivery. Fundamental structural issues

including funding arrangements to support improved wages and conditions, career pathways and the recognition and development of specialist skills and experience will need to be tackled head on.

3.2.2 The UnitingCare CYPF workforce - initiatives and challenges

As discussed in Section 1, CYPF employs over 650 staff and is one of the largest providers of services to children, young people and families in NSW. We invest significant resources in order that staff receive the training and professional development they need to deliver the best outcomes for our service users and clients. For example, CYPF operates a Registered Training Organisation called the Institute of Family Practice (IFP). IFP delivers training to CYPF staff as well as to staff working in other NFP organisations. It also provides training to individuals wishing to enter and/or re-enter the community services workforce. IFP delivers both accredited and non-accredited training and has a broad range of training options to meet the needs of people who are seeking entry level training, upgrades to their skills and qualifications as well as on-going professional development. Training is delivered on a fee-for-service basis.

IFP has played a key role in delivering the training for the roll-out of Family Relationship Centres (FRCs). As part of the FRC accreditation process, staff delivering counselling and mediation services were required to undertake re-accreditation training to meet the new standards set by the Federal Attorney General's Department. IFP was part of the consortium that delivered this training and now delivers the new accredited qualification that meets the new standards for family dispute counselling and mediators.

CYPF conducts an annual staff climate survey to assess the organisation's performance across a broad range of human resource and general management practices. In 2007 and 2008 this survey was conducted by an independent consulting group to enable the data to be benchmarked against other Australian Health and Community Service organisations as well as against organisations operating in other industries in the Australian economy. In 2008, 57 per cent of CYPF staff completed the survey and the information collected was analysed in relation to 'Passion' (staff engagement and motivation) and 'Progress' (bottom-line results on improvement) in order to identify priority areas for future development.

In relation to workforce sustainability, CYPF's 2008 *Your Voice* survey confirmed the findings of the inquiries and reports referred to earlier. On a positive note, the vast majority of staff (more than 90 per cent) found their work rewarding, valued the organisation's commitment to social justice principles, and believed that the organisation delivers high-quality services to service users. At the same time, over half the staff (51 per cent) are dissatisfied with the income they receive for the work they do and 64 per cent did not see themselves working for the organisation in five years time. These results indicate that even large organisations, which can draw benefits from economies of scale and which pay above-award wages, are not able to insulate themselves from the structural workforce challenges that the NFP sector is facing. The pay disparity between government and NFP employees undertaking work of comparable or equal value which was the subject of the Queensland Industrial Relations Commission determination needs to be addressed in all jurisdictions.

The impact of the global financial crisis on CYPF's investment income compounds these difficulties. Investment income is used for a variety of purposes including funding research, policy and advocacy work and financing the establishment, operation and evaluation of innovative programs. However, investment income has also been used by CPYF to improve staff wages and conditions by offering above award conditions in Enterprise Bargaining Agreements (EBAs). In current EBA negotiations, CYPF has needed to exercise wage

restraint making reforms to index government funding to meet rising labour costs more urgent. We discuss these matters in Section 4.

To address workforce challenges at an organisational level, CYPF developed a short-term workforce strategy in 2007 to respond to anticipated growth in its programs and services as well as difficulties in recruiting to some positions within the Service Group. We recognised that the community sector was experiencing a general skills shortage that was exacerbated by the rollout of new NSW Government funding for programs in early intervention and out-of-home care. The strategy aimed to maximise CYPF's ability to recruit and retain qualified staff in order that we could continue to deliver high quality programs. The strategy included:

- Labour market analysis
- Review of staff classification gradings and levels
- Development of a recruitment marketing strategy
- Refinement of internal recruitment processes
- Review of support to existing staff
- Development of a foster carer recruitment campaign

As a result of the workforce strategy, CYPF invested in a range of initiatives to increase its capacity to recruit and retain skilled and experienced staff at a time of rapid growth. In 2008 we established a website called Get a Career that which highlights the benefits of working in the NFP sector and introduced a centralised and streamlined recruitment process which included the appointment of a specialist recruitment officer. While these initiatives have assisted a single NFP organisation to partly address workforce challenges, building a sustainable workforce requires that this be supported by a comprehensive workforce strategy - developed in partnership with government, not-for-profit social services organisation and training and education providers - as outlined at the start of this section.

3.2.3 Indigenous Employment Strategy

In addition to addressing general human resources challenges, CYPF has a strong commitment to increasing its recruitment and retention of Aboriginal and Torres Strait Islander (ATSI) staff given research evidence that programs to support ATSI children, young people and families are more effective if they are developed and delivered by ATSI staff and have strong links with community-based Indigenous organisations in the local area and region.

In 2006, a small research project mapped out actions designed to fulfil goals identified in the UnitingCare Burnside strategic plan for 2006-2009. These goals included:

- Employing ATSI staff in all programs where Aboriginal services users make up more than 10 per cent of the total number of service users;
- Ensuring that the percentage of ATSI and CALD service users attending our family centres exceeds the local Australian Bureau of Statistic (ABS) rates;
- Increasing the percentage of ATSI and CALD service users who say that things are 'better' and that they have always been treated well;
- Increasing cultural diversity of membership on the Board.

One of the recommendations flowing from this research was to create an Aboriginal and Torres Strait Islander (ATSI) Working Group which was established in 2007. The two key agendas for the Working Group are to increase the recruitment and retention of ATSI staff and to further develop ATSI community relationships that will strengthen service delivery in these communities.

The case study below shows how our capacity to meet these goals has been strengthened by a partnership with the Federal Department of Education, Employment and Workplace Relations (DEEWR):

Case Study 4: A Corporate Leader in Indigenous Employment

In mid 2007, UnitingCare NSW.ACT signed a Memorandum of Understanding with the Federal Department of Education, Employment and Workplace Relations (DEEWR) to become a Corporate Leader in Indigenous Employment. UnitingCare NSW.ACT comprises three Service Groups - (i) UnitingCare Children, Young People and Families (ii) UnitingCare Children's Services and (iii) UnitingCare Ageing.

As part of this partnership, DEEWR provided funding to support the development of an Indigenous Employment Strategy to which all three Service Groups are signatories and are busy applying. DEEWR has also provided funding for Indigenous Employment Officers in each of the Service Groups and a Co-ordinator based at UnitingCare NSW.ACT.

The Indigenous Employment Strategy's action plan aims to strengthen recruitment and retention for Aboriginal and Torres Strait Islander staff, and increase cultural awareness training for all our staff. CYPF aims to employ an additional 45 Aboriginal and Torres Strait Islander staff over the next 12 months.

Given that CYPF services operate in areas such as Dubbo, the North Coast of NSW and West and South Western Sydney that have high numbers of Aboriginal and Torres Strait Islander people, the Indigenous Employment Strategy is an excellent example of government building on an initiative taken by a NFP organisation to their mutual benefit. The funding arrangements with DEEWR have been sufficiently flexible to adapt to challenges which have arisen along the way.

3.2.4 The value of qualified staff for the delivery of improved outcomes

A growing body of research shows that a qualified and well-trained workforce is essential to the delivery of quality services, particularly when staff are working with families with complex needs. While CYPF recognises that many NFPs providing social services face significant short and long-term challenges in recruiting and retaining a qualified staff, we would argue that reducing 'regulation surrounding the use of paid and volunteer labour' (Productivity Commission, 2009: 26) is unlikely to support the development of a sustainable workforce and may lead to poorer service outcomes.

Effective regulation of the qualifications required to work with children, young people and families who have complex and multiple needs provides an important safeguard and quality benchmark. At the same time, we recognise that creating a consistent and national legislative framework in areas such as industrial relations and occupational health and safety would assist national service providers to operate more effectively across state and territory boundaries.

CYPF uses only a small number volunteers when it comes to direct service provision in its programs. Valuable indirect support (such as preparing resource kits for new mothers) is provided by congregation volunteers. There are a number of reasons why the organisation chooses to focus on engaging paid staff to deliver its services. These include:

- The level of skills required to deliver the best outcomes for our service users;

- Increased capacity of paid staff in permanent positions to provide consistency of services which can in turn increase the level of engagement with service users;

- Greater capacity to effectively manage risks - from confidentiality to accountability - through an employment relationship;

- Emerging evidence that qualified staff deliver improved outcomes including building trusting, engaging and supportive relationships; and

- The acknowledgement that in some areas of our work, such as out-of-home care, volunteers should not be used.

While not diminishing the valuable roles that volunteers can and do play in the NFP sector we should be cautious about using the term 'voluntary sector' interchangeably with the 'not-for-profit sector' as it runs the risk of eliding the important contribution made by skilled, qualified and experienced staff. We also wish to acknowledge the pride we take in employing a number of our former service users while noting that the employment decision is based on the person having undertaken appropriate training as opposed to the means by which we first made contact.

A growing body of evidence shows that program outcomes are improved when work is undertaken by qualified staff. One of the strongest examples is the United Kingdom's longitudinal study Effective Provision of Preschool (EPPE) which shows that the quality of early childhood programs increases with the qualifications held by staff members in the program (Sylva *et al.*, 2004). The EPPE research has found that trained teachers provide the most direct teaching, are most effective in their interactions with the children, and use the most 'sustained shared thinking' and that less qualified staff were significantly better as pedagogues when they worked alongside qualified teachers.

With respect to home visiting, while the international research is not fully conclusive there is a growing consensus that the efficiency of home-visiting programs increases with the level of training of the visitor. The benchmark randomised control trial of the Nurse Family Partnership program - in which disadvantaged first-time mothers received home visits by early childhood nurses - found that the effectiveness of the program was due to the qualifications of the nurse who was more readily accepted into the home than a social worker or a volunteer and had the training to identify health and behavioural issues impacting on attachment between mother and baby (Olds *et al.*, 2002: 486-96). A recent review of the research literature on prevention and early intervention highlighted that home visitors needed to be well-trained, to offer supportive supervision, and to have particular personal qualities in order to provide effective support to vulnerable families dealing with a range of inter-connected and complex issues (Watson and Tully, 2008: 6). If research shows that the efficacy of programs is improved through the use of appropriately qualified and experienced staff, then it is essential that governments and providers take this into consideration when services are developed, specified and funded.

3.3   Translating research into practice and supporting innovation

CYPF agencies are required to collect and report a growing amount of data and to participate in external research evaluations commissioned by Government. These activities are important to driving evidence-informed policy decisions however there is significant

scope to standardise data collection across programs and departments. It is also necessary to reduce the copious amount of data collected on program inputs and outputs and to build outcomes data to support a shift to the Results Based Accountability (RBA) framework we champion in Section 2.

The principles which underpin a FaHCSIA (2008) proposal to amend current FRSP Agreement reporting requirements are constructive:

- Ask for information once and use it multiple times;
- Use a risk-management approach to collection of compliance data; and
- Only ask for data that is used and analysed.

External program evaluations currently provide critical information to Government to determine whether programs are effective (and cost effective) in meeting the needs of target groups and improving longer term outcomes for participating children, young people and families and how outcomes might be improved. CYPF invests considerable time and resources in supporting the participation of staff and service users in qualitative and quantitative components of this research however results tend to be reported and analysed at an aggregate level only.

At the present time, a consortium led by the Social Policy Research Centre (SPRC) at UNSW is undertaking a major evaluation of the Brighter Futures Early Intervention Program for DoCS. With the Department's permission, our colleagues at The Benevolent Society have negotiated to purchase results and analysis at the agency level from SPRC and Burnside is seeking a similar agreement as a means to support best practice. With access to outcomes and process data at each of our five Brighter Futures program sites, Burnside practice and research staff will be able to analyse whether differences can be explained by variations in the degree and type of vulnerability of families using services at each location or by the type of intervention used and the way in which brokerage money is spent. We will be able to assess whether particular program components work more or less well with different target groups and adjust our practice accordingly. The marginal cost to the research study of making agency and site level analysis available to the 14 NFP lead agencies is small relative to the potential gains if organisations are in a position to respond to evidence.

When governments decide to invest in sophisticated program evaluations we would argue that the research contract should require the evaluator to prepare individual reports for each service provider with the cost to be met by government. While organisations like Burnside and The Benevolent Society - which fund specialist research and policy teams - may be in a position to purchase data and assist field staff to translate research into practice, costs will be preclusive for smaller organisations. If the costs of purchasing SPRC data are indicative, CYPF would not be in a position to purchase research reports at an agency level for all programs which are subject to substantive external evaluations.

With respect to innovation, UnitingCare Burnside has invested significant funds to develop innovative programs to meet the needs of children, young people and families who are falling through service gaps or for whom extant programs do not meet needs. Investment decisions are not taken lightly and attention is given to whether we need to create something new or to fund a practice or service that has been empirically established and adapt it to meet the needs of a particular community. The difficulty of attracting external funding (government, philanthropic or corporate) to support program innovation for the period required to determine its efficacy and/or cost effectiveness should not be underestimated. It is also important that when NFPs establish an evidence-base for their innovation through rigorous evaluation that government supports the diffusion of the program so that it can be adopted or adapted in other communities where it can make a difference.

In Section 2.1 we argue that an RBA framework supports innovation by shifting the focus of funding agreements from top-down output targets to the implementation of strategies which respond to local needs and improve wellbeing outcomes for the target population. As we will discuss in the following section a shift away from highly prescriptive program budgets to global budgeting arrangements creates incentives for agencies to respond more flexibly and collaborate on integrated services for vulnerable client groups with complex needs. It also reduces the 'risk' associated with successful prevention efforts. The Australian Research Alliance for Children and Youth argues that siloed funding and accountability arrangements inhibit a focus on prevention as it can mean "significant costs falling on one budget while the benefits accrue to another" (ARACY, 2009: 52).

UnitingCare Burnside welcomes a recent decision by DoCS to allow the funding received by an agency to deliver the *Brighter Futures* program to be treated globally across program sites. Burnside is the lead agency' at four Brighter Futures sites - Dubbo, Coffs Harbour, Central Coast, and Macarthur. The shift to global funding gives us the flexibility to offset a deficit due to some unforeseen event in one area with a surplus in another within any financial year. This makes eminent sense as long as the qualitative outcomes that are part of our service specifications are being achieved and serves to significantly reduce the red tape associated with the treatment of surpluses and rollovers. DoCS are considering the same global funding approach for its new Out of Home Care contracts.

Recommendations:

4. New structures should be developed to formalise relationships and processes for consulting with NFP organisations as genuine partners and involving agencies in decision making about policy and program development and local planning.

5. Victoria's Integrated Family Services (IFS) Framework and collaborative contracting arrangements should be utilised by other jurisdictions to strengthen a preventative focus.

6. Fringe Benefit Tax (FBT) concessions should remain available to eligible NFPs but be indexed to Average Weekly Earnings. Any alternative model to reduce salary gaps must be in place before changes are made and be embedded in the taxation system as opposed to funding agreements.

7. Funding agreements should conform to the principle of pay equity to eliminate the disparity in pay and conditions for government and NFP employees undertaking work of comparable or equal value.

8. The Productivity Commission should provide advice on how the findings of existing studies of human resource issues in the NFP sector could be used to develop co-ordinated and comprehensive strategies for building the capacity and sustainability of the NFP workforce.

9. The development, specification and funding of services should acknowledge the improved outcomes flowing from the use of qualified staff and provide resources to facilitate their employment and on-going professional development.

10. External research evaluations commissioned and funded by government should provide individual reports to each NFP organisation to allow comparison of agency and site results with program averages and inform changes to practice.

11. Global budgeting arrangements and a provision to roll over unspent funds within the

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contract period should be supported as means to facilitate innovative approaches to service delivery.

4. Service Delivery

In Section 4, we focus on options for improving the efficient and effective delivery of government funded services to address the need for adequate funding and simplified outcomes-based contractual and reporting arrangements with government while maintaining due regard for transparency and accountability.

4.1 Trends in government funding and service delivery

The allocations received by UnitingCare Children, Young People and Families for government-funded programs do not reflect the true costs of delivering quality services. Achieving outcomes requires significant contributions to direct service delivery from the returns on CYPF investment funds. This, in turn, erodes the innovative capacity that the investment pool was designed to support and raises questions about the sustainability of heavily subsidised programs when investment returns are sapped in an economic downturn.

4.1.1 True Costs

In 2002, CYPF developed a 'True Cost' model to identify the real (or "true") costs of running a Direct Service Program by including in the cost base of that program a legitimate share of our agency wide infrastructure costs. Six 'clusters' were developed as a common language to be represented in direct service program accounts as separate account line items. The clusters are:

1. Quality Assurance
2. Business Management and Compliance
3. Information Systems
4. Human Resources and Payroll
5. Agency Governance
6. Agency Management Support

A rigorous process was used to determine what share of agency cost centres were a legitimate part and parcel of running service programs. Costs deemed *not* to be directly linked to the core business of direct service programs - 24 per cent of overall 'Infrastructure' costs - were excluded from the total amount to be allocated as 'True Costs'. For example, 50 per cent of the cost centre called "Administration" was excluded from the Business Management and Compliance cluster on the grounds that the Director of Finance and Administration and the Management Accountant (whose salaries and expenses sit within this cost centre) spent at least 50 per cent of their time managing the CYPF investment portfolio (with consequent investment income reflected in other areas of the accounts). Similarly, 50 percent of the cost centre called 'Research and Evaluation' was excluded from the Quality Assurance cluster as while half of the work conducted within that centre supports the formulation of an evidence base for practitioners through input, process and outcome evaluation and assists them to meet reporting requirements through the collection and analysis of a CYPF Minimum Data Set, the cost centre also undertakes a significant amount of work around lobbying, advocacy and participation in peak bodies which is not a legitimate cost for direct service programs. One hundred per cent of all cost centres within the 'Information Systems' and 'Human Resources and Payroll' clusters were allocated as direct service costs.

At an organisational level, the determination and application of a true cost model was necessary because the extent to which CYPF has subsidised 'government funded' programs was not transparent to funders or our own managers. A transparent model allows us to monitor the extent of this cross-subsidisation, which in the long term is not sustainable and diverts our own resources from investment in the development, trial and evaluation of innovative programs which can address unmet needs. We regard this activity as a social justice imperative. The true cost model underpins decisions about whether we seek contracts and the way in which we price tenders and the renegotiation of existing funding agreements.

The extent of unfunded infrastructure costs in direct service delivery is significant. If the government contracts held by Burnside and Unifam in 2007-08 had been funded to meet the true cost of service delivery as defined by the CYPF model, the organisation would have received an additional **$3.46 million** in income.

While each NFP makes determinations about which funding agreements are viable, the sector's capacity to 'make a difference' to children, young people and families experiencing disadvantage requires a more fundamental framework shift so that all funding agreements for the delivery of human services are outcomes-based, indexed and reflect the full cost of service delivery. The status quo will see organisations committed to the provision of high quality and sustainable services withdraw from key domains of service provision where meeting narrowly defined output criteria at the contract price require cuts in service quality.

Case Study 5: The 'true cost' of delivering family support services in Coffs Harbour

Burnside's Coffs Harbour Family Support Service began in 1994 and supports local families with children aged 0-12 years through a range of approaches including solution-focused, cognitive therapy, narrative therapy and art therapy. Specific programs available to families include Supported Playgroups, Parenting and Personal Development Groups and a Family Work program which offers additional support to families through professional home visiting. In 2007-08 the service received DoCS funding of $327,156 with Burnside contributing $255,525 to (i) employ the additional staff needed for the service model to be effective, viable, safe and innovative; and (ii) cover the unfunded overheads identified in our 'true cost' model in addition to other items not covered in the DoCS agreement such as rent and allocations for program equipment. While it can be argued that many of these items are discretionary choices made by the organisation, it is also true that 'making a difference' to families with complex needs - and reducing the risk and incidence of child abuse and neglect - demands such resource allocations. For example:

- Group programs for children which are able to respond to intrinsic disruptions without compromising either safety or program outcomes require the presence of two workers in order to be viable (additional staff);
- Centre-based program components require a designated and accessible work space (rent);
- Home visiting requires that staff have access to a motor vehicle, mobile phone and specialist training; and
- Developing a new model through which young mothers attending supported playgroups work with TAFE outreach staff to support parental engagement with education, training or employment (an established protective factor for children) requires resources for program design, marketing, activities, equipment and evaluation.

4.1.2 A Standard Chart of Accounts

A major problem with estimating the difference between what governments pay providers in funding agreements and the costs to NFPs has been the absence of consistent standards to determine the true cost of service delivery.

The Australian Centre of Philanthropy and Nonprofit Studies (ACPNS) at the Queensland University of Technology have undertaken detailed analysis of the lack of consistency in accounting categories and terms required by state and federal government departments in their funding relationships with NFP organisations. Unlike other OECD countries, Australia does not provide specific national accounting standards for NFPS which have been developed in consultation with a national regulator and the sector. The Statement of Recommended Practices adopted by the Charity Commission in the UK has proved to be a highly effective means to embed a uniform accounting and reporting regime that is understood by, and meets the specific needs of, the NFP sector (ACPNS, 2008: 6)

In the Australian context, ACPNS (2008: 1-2) defines the following problems which flow from the absence of standards:

- An inability to aggregate and compare financial data for any purposes, such as public policy development, benchmarking of performance and indications of financial effectiveness or efficiency to funders;

- Significant compliance costs to NFPs (particularly those who, like CYPF, have multiple sources of government funding); and

- Significant administration costs for government agencies.

The extent of the problem has been researched and quantified using grant documentation from 24 Queensland government departments. Flack and Ryan (2005) found that there was no consistency between government departments in the financial treatment and accounting terms for grant and tender acquittals. There was also a wide range of incompatible financial reporting requirements across departments and, in some cases, between different programs within the same department:

> *For example, a total of 129 different revenue line items and 836 different expense line items were identified in the departments' forms or instruction documents. Differences occurred both in the line descriptions and in the accounting treatment for the same types of expenses. The major variations occurred around the material expense item for labour costs. Our analysis revealed a total of 113 different line descriptions in the documents that related to direct labour costs; e.g. in the expenses category, departments included different items: for some, 'salaries' covered salaries only; others included salaries and direct on-costs; for others, 'wages and salaries' included 'costs of employment', such as 'staff training' and 'protective clothing'; others included staff transport; and some departments required workers compensation insurance to be treated as a salary and wages on-cost, instead of aggregating this with general insurance (Flack and Ryan, 2005: 71-72).*

ACPNS (2008: 2) argues that since the accounting system for a NFP organisation is designed to capture financial transactions just once, an imposed requirement to report similar transactions in incompatible ways means that NFPs often have to manually recalculate financial transactions from the vouchers, thus adding significantly to their costs of compliance.

To address the issues identified in the research, staff at ACPNS and Queensland University of Technology's School of Accountancy worked with Queensland Treasury and five Queensland government departments to develop a 'Standard Chart of Accounts' (SCOA) and data dictionary for NFP organisations that receive government funding. Work has since been undertaken to develop versions for use by community service departments in NSW and WA to allow for adaptations to different state-based legislative requirements. ACPNS states it is in discussion with the Victorian Department of Human Services and FaHCSIA to discuss how SCOA might be applied in those jurisdictions. A report by the Victorian State Services Authority which examined the impact of the Victorian Government regulation and other contractual and accountability requirements placed on NFPs recommended the adoption and implementation of a SCOA and data dictionary across the Victorian Government.

It is important to note that the application and roll out of the framework has not been seamless, particularly in NSW. In mid 2007, DoCS - as the lead agency in the Human Services Cluster - engaged ACPNS to implement a SCOA for not-for-profit organisations in NSW and the project was endorsed by the NSW Human Services CEOs Group. However, by the end of 2008 participating government funders had yet to modify their acquittal procedures to align their forms with the SCOA despite a commitment to do so. This has created a disincentive for many funded services to pursue modification to their own Chart of Accounts (ACPNS, 2008: 4).

Anecdotal evidence and an independent evaluation commissioned from the University of Queensland (Kennedy, 2008) suggest that NFPs in Queensland have found the SCOA easy to adopt and use and that take up has led to an upgrade of accounting systems and greater investment in accounting staff training and financial literacy for staff and boards. Anecdotally, SCOA has made the task of auditors easier and contained rises in audit costs and NFPs have found that the SCOA has assisted them to respond to moves by the Queensland government to introduce 'unit cost funding' by permitting more reliable analysis of actual unit costs of service delivery and benchmarking (ACPNS, 2008). ACPNS argues that the difficulties in embedding the SCOA in departmental processes have arisen due to:

▪ Reluctance by central departments such as Treasury and Premiers to require adherence by departments to the SCOA;

▪ A departmental preference to incrementally adopt the SCOA as new funding rounds are announced (often in 3 year cycles); and

▪ The imposition of requirements by Federal funders (who have not yet taken up the SCOA) on states where those requirements are contrary to the state department's use of SCOA.

CYPF would encourage the Productivity Commission to examine the SCOA process as part of this Inquiry and to consider how it might be adopted by federal departments and in COAG agreements as a means to reform, standardise and simplify regulatory and administrative arrangements for NFPs. While making this recommendation we stress that consideration must be given to the application of this tool by large NFP organisations given that the original intention of the SCOA was to support adaption of the accounts of small and medium NFPs. For larger organisations like UnitingCare NSW.ACT the desire for consistency in the financial treatment and accounting terms for grant and tender acquittals coexists with the need to have consistent accounting systems across its three service groups - UnitingCare Children, Young People and Families; UnitingCare Ageing; and UnitingCare Children's Services. Thus the application of SCOA to one part of the NFP sector, such as the child and family sector, would create additional work for CYPF (to meet our internal and external

reporting requirements) if the charter was not applied to domains such as ageing, disability and long day care.

With this important caveat, we acknowledge that the instrument has a strong evidence foundation; has been successfully implemented by small and medium and large NFPs; and complies with the disclosure requirements of the Australian Accounting Standards Board. For this reason, the SCOA warrants consideration as a means to reduce the regulatory imposts on NFPs arising from the lack of consistency in the accounting categories and terms used in funding agreements. The resources saved by reducing red tape can instead be directed to creating a sustainable foundation for service delivery and innovation.

4.2 Governance and Accountability Arrangements

It is critical that government works with the NFP sector to understand the impact of administrative processes on service provision and to develop means to reduce the administrative and cost burden imposed on providers while preserving a commitment to accountability and transparency. As a case in point, in 2007-08, CYPF quantified the cost of the staff time required to acquit the 105 contracts held in that financial year. Acquittal required 144 days of work spread across staff in our Finance and Administration team, CEO, Directors and Managers in each of operational regions. The internal salary cost of the annual acquittal process in 2007-08 was $42,630. This does **not** include the cost of the external audit completed by Deloittes.

To illustrate effective means to reduce the administrative impost we offer two case studies - one provided by Unifam and the other by UnitingCare Disability - which could be broadly applied to the NFP sector.

Case Study 6: 'Streamlining' in the Family Relationships Services Program

Unifam argues that the streamlining of funding agreements and reporting requirements in the Family Relationships Services Program (FRSP) has been highly effective and offers a constructive template for other service areas.

The FRSP is jointly funded by FaHCSIA and the Attorney-General's Department (AGD) with each portfolio having policy responsibility for their respective services. The 2009-10 Budget announced that from 1 July 2009, contract management of the FRSP will be consolidated within FaHCSIA and streamlined. Under the new model, the AGD will transfer departmental resources to FaHCSIA to enable consolidation of administration within a single department who will manage face-to-face, online and telephone service contracts. The FRSP services will be managed under the new Family Support Program which draws together family partnering and parenting services for all families, irrespective of whether they are intact, separating, separated, simple or complex in structure. A specific family law service stream will be maintained with AGD retaining policy responsibility for family law services (post separation services and family relationship centres).

This announcement is the next phase in a staged evolution which has seen a shift to standard contracts and standard reporting requirements within FaHCSIA and a move to standard data collection within the Family Relationship Services Performance Framework. The standard funding agreement comprises a single contract with schedules which set out activity details (location, service and minimum client numbers) and funding and payment details by service type and location. At the present time a service plan needs to be submitted for each service type and each is separately acquitted. However, from 1 July, providers can

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acquit funding per schedule rather than by service type and there will no longer be a requirement to submit service plans or an annual variance report. This will significantly reduce red tape and the administrative burden on the service provider while the performance framework and accreditation standards will serve as the key accountability mechanisms. It is argued that the focus on outcomes and a risk-management approach to the collection of compliance data - rather than micro-management of contractual arrangements - is indicative of a mature and trusting relationship between the funder and provider and allows scope for providers to be more flexible and innovative in service delivery.

Many of the reforms discussed in this case study were the product of a robust and respectful dialogue between government and the NFP sector which recognised the differing roles and responsibilities of the government (as the body providing the funding) and NFPs (as the organisations delivering the services). The process of negotiation and collaboration was based on a genuine partnership. It has produced ways to reduce red tape and streamline funding arrangements and data collection through mutual agreement.

Case Study 7: Pre-Qualifying Panels

UnitingCare Disability has advised that the NSW Department of Ageing, Disability and Home Care (DADHC) have recently moved to a Pre-Qualifying Panel style of tendering for some service models. This approach, whilst onerous in the first instance, allows organisations to provide critical information once and have that information held by the relevant department for a determined period. When new tenders are announced, NFPs which have 'qualified' need only provide information which is specific to the particular tender such as the program model or design, budget and staffing. The alternative is a system in which a number of tenders are released concurrently and because tender documents are prepared in different sections of DADHC, the questions designed to collect 'common' information (regarding organisational structure, governance and financial viability; compliance with disability standards; and cross cultural competence) are framed in different ways. 'Fitting' information to diverse formats serves to substantially increase the workload of NFP applicants.

We argue that Pre-Qualifying Panels offers significant advantages including:

- Reducing the administrative demands on the NFP and enabling a transfer of resources to direct service delivery. The NFP will not need to submit organisational and compliance data with each application but would be responsible for providing latest versions of annual reports and financial statements to ensure the currency of information.

- Reducing the resource demands on the bureaucracy. Individual departments will not be required to assess each applicant's organisational structure and viability at each tender round due to a central process which makes this assessment on an annual basis.

- Levelling the playing field for large and small organisations. Large NFPs may have the capacity to allocate tender preparation to a staff specialist or to employ consultants while small organisations have limited ability to pull staff who are 'offline' to prepare tenders.

Recommendations:

16. Funding provided to NFP organisations charged with delivering human services must match the true cost of delivering services and be appropriately indexed. Funding agreements should span a minimum of three years and reflect the achievable outcomes over the funding period.

17. Consideration be given to the application of a Standard Chart of Accounts for NFP organisations following assessment of how the Charter could introduce consistency to the internal and external reporting requirements of larger organisations.

18. Government departments should standardise and align their submission applications, service agreements and acquittal processes for funding human services as a means to reduce compliance costs and increase the quality and usefulness of data collected.

19. Pre-Qualifying Panels be used in tendering processes to streamline the submission of organisational and compliance data.

5.   Trends and Developments

In this final section we focus on two developments which are in train and which will have a significant impact on NFP organisations delivering services to children, young people and families in environments characterised by disadvantage and market failure in the years ahead.

We argue that the greater focus on prevention and early intervention and an expanded role for NFPs in service delivery will continue apace given the personal, social and economic costs of maintaining the status quo. The salient point is that for these developments to have the greatest impact on wellbeing outcomes for vulnerable children, young people and families will require the implementation of the system reforms which are recommended in this submission.

5.1   Focusing on prevention and early intervention

In 2009, the NSW Government's *Keep Them Safe* strategy; the Council of Australian Governments' *National Framework for Protecting Australia's Children*; and a major report commissioned by the Australian Research Alliance for Children and Youth (ARACY) on *Inverting the Pyramid: Enhancing Systems for Protecting Children* are evidence of a widespread consensus that the best way to protect children is to prevent child abuse and neglect from happening in the first place. There is also widespread consensus that this requires a robust primary and secondary system for protecting children that provides families with the assistance they need before they come into contact with the statutory child protection system (ARACY, 2009: vi).

In the years ahead, a key challenge for NFP organisations providing services to children, young people and families will be to advance preventive strategies within a public health framework in order to reduce the incidence of child abuse and neglect in Australia. The public health model involves a continuum of care spanning universal prevention services, targeted secondary prevention services and intensive tertiary services for children, young people and families in crisis. There is also a commitment to working with families earlier in life and earlier in the life of the issues to prevent situations reaching a crisis point which triggers statutory interventions.

Research into brain development has underlined the significance of a child's early years in laying the ground work for their competence and skills. This, in turn, impacts on their learning, behaviour and health right through life (McCain and Mustard, 1999). Brain development is directly shaped by the child's environment, particularly the nutrition, care and attention they receive from parents and other primary caregivers. Children who experience quality care will develop towards their full potential, while those who receive inadequate care are more likely to develop learning, emotional and behavioural problems. The key implication is that quality early childhood programs, which also influence how parents relate to their children, can have positive long-term impacts on behaviour, learning, development and health outcomes.

A raft of longitudinal studies have confirmed this finding including the landmark HighScope Perry Preschool Study which showed that at age 40, children from low-income families who participated in the preschool program were more likely than non-participants to hold a job, to have finished high school and to have had limited engagement with the criminal justice system (Schweinhart et al., 2005). As a result, getting the settings right for children's social, emotional and cognitive development is essential if we are to realise the objectives of

contemporary social policy agendas in the spheres of education, health, participation and inclusion.

The ARACY Report details the systemic change required if we are to 'invert the pyramid' and support greater cooperation and collaboration in service delivery:

> (S)trategies for preventing child abuse and neglect need to be multifaceted and span a variety of systems across organisational, jurisdictional, and government and non-government lines. Sustainable change can only be achieved if there is long-term collaboration and co-ordinated delivery of services across all organisations and systems that effect children and youth (ARACY, 2009: x).

Effective prevention and early intervention strategies will require the development of integrated service models which cross over the traditional boundaries of government agencies and individual disciplines such as health, psychology, social work and education. It will demand cultural and structural changes from both government and NFP sector in order to promote the shifts to results-based accountability and integrated governance which have been the focus of this submission.

5.2   Transfer of service delivery to the not-for-profit sector

Implicit in the shift to a public health model and greater focus on prevention and early intervention just described is an expanded role for the NFP sector in supporting children, young people and families. The ARACY Report (2009: 45) puts it thus:

> A system for protection that is prevention-based will require an expanded or sustained role for the NGO sector, particularly in delivering secondary prevention strategies. This means that relationships between government and NGOs will be critical to implementing the systems change goal.

In NSW, the Government's response to the recommendations of the Special Commission of Inquiry into Child Protection Services in NSW will see the Brighter Futures early intervention program and the majority of out-of-home care services transferred to the NFP sector. In couching the sector as the preferred service provider, Commissioner James Wood (2008: 249) pointed to the sector's greater capacity to offer a suite of integrated services which increases the likelihood of improved outcomes for program participants. Wood (2008: 247) also noted that NFP organisations had a greater capacity to build trusting and engaging relationships with the children, young people and families using their services:

> Highlighted in many, if not all NGO submissions, was the assertion that DoCS' role in direct service provision of the program creates fear in clients, makes them reluctant to engage, and represents a conflict of interest between the focus of Brighter Futures and the focus of child protection work. If the fear of becoming 'known to DoCS' because of its role in delivering an early intervention program is the reason for families declining the opportunity of participation, then this could amount to a serious and potentially insurmountable barrier to its success.

5.3   Concluding remarks

In the years ahead, NFP organisations providing services to children, young people and families will be charged with delivering a greater quantum of services in a policy environment which correctly identifies the need for an increased focus on prevention and early

intervention and the development of integrated service delivery models. UnitingCare Children, Young People and Families believes that these policy objectives are beyond reproach.

The more important challenge is to determine the systemic changes required in order that the changing role of the NFP sector results in improved outcomes for all children, young people and families and particularly for those with multiple and complex needs. We argue that a Results-based Accountability Framework offers a systematic way to improve the quality of life for particular population groups and the performance of specific services, agencies and service systems. It provides a pathway for multi-agency partnerships and individual organisations to prioritise the outcomes they want to improve and determine what strategies are needed to achieve them.

However, if a results-based approach to accountability is to beget a sustainable service model which 'makes a difference' a wider set of reforms will be required. Priorities for action include:

- The provision of funding which meets the full cost of direct service delivery.

- Simplified reporting requirements.

- Pay equity for government and NFP employees undertaking work of comparable or equal value.

- Structures and processes which support cooperation and collaboration between service providers and government underpinned by respectful and substantive engagement.

- Support for innovation and the freedom to deliver services in a way which maximises contributions to better population outcomes.

We look forward to the Productivity Commission's Report and its response to the recommendations made in this submission.

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