

**Submission**  
**No 2**

## **Outsourcing Community Service Delivery**

**Organisation:** Network of Alcohol and Drug Agencies  
**Name:** Mr Larry Pierce  
**Position:** Chief Executive Officer  
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## **NADA submission to:**

**The NSW Government Legislative Assembly Committee on Community Services – Inquiry into Outsourcing Government Community Service Delivery**

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### **INTRODUCTION**

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The Network of Alcohol and other Drug Agencies is the peak body for NSW non government drug and alcohol service providers. NADA currently has approximately 100 member agencies across NSW. These agencies represent all the NGO specialist drug and alcohol service providers in NSW. NADA is also expanding into the ACT and QLD and there is high potential for membership growth. The NADA program consists of sector representation and advocacy, workforce development, information/ data management, governance and management support and a range of capacity development initiatives.

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

NADA has not commented on some of the Committees Terms of Reference, rather we have focused comments on issues that are most pertinent to the non government drug and alcohol sector in NSW and because other larger not for profits in the area of housing, disability and home care services have commissioned reviews and studies that provide the data in the review scope.

### **RESPONSE TO THE TERMS OF REFERENCE**

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#### **TOR a)**

NADA and its members are not direct providers of housing, disability and home care services. We do believe however that a number of the terms of reference of the inquiry are directly relevant to our sector and that also the fundamental drivers for the outsourcing of formerly government provided services are as relevant for community based drug and alcohol treatment services as they are for disability and home care services provided by NGOs.

**TOR b) THE DEVELOPMENT OF APPROPRIATE MODELS TO MONITOR AND REGULATE SERVICE PROVIDERS; and d) CAPACITY FRAMEWORKS ENSURING THAT COMMUNITY AGENCIES ARE NOT OVERLY BURDENED BU REGULATORY CONSTRAINTS.**

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

**Industrial impediments/issues**

NADA has identified some major industrial impediments with respect to attracting staff from the public sector to the NGO sector. These include, but are not limited to significant remuneration variations, the non transferability of superannuation and leave entitlements and less or very limited opportunities for career advancement in many small to medium NGOs. We believe that this issue may hamper recruitment to the sector for staff who have had previous experience in the public sector or indeed the private sector.

**Workforce issues**

Also NADA conducted a workforce profile in 2008 and this profile shows the issues of an aging workforce as well as the issue of impediments to recruitment and retention around remuneration capacity. Career progression and career structure in the sector is also an issue due to the industrial awards that govern the sector (Social and Community Services Award). While the recent pay equity decision at a federal level means better pay for women workers in particular the improved level of remuneration will still not be able to compete with public and private sector levels of pay. As stated above, this could have grave consequences for the recruitment of new workers to the NGO sector.

**Contractual arrangements**

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

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

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

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

There are four accountability mechanisms:

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

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

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

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

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

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

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

## **Advocacy**

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

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

## **TOR C) APPROPRIATE LEVELS OF INTEGRATION AMONG SERVICE PROVIDERS**

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

### **Integrated service delivery**

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

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

### **Trialling and piloting new approaches**

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

## **TOR e) ENHANCED CAPACITY BUILDING AND SOCIAL INTEGRATION IN THE DELIVERY OF SERVICES BY LOCAL PROVIDERS**

NADA believes that NGOs have long demonstrated their effectiveness in building capacity between related service providers and developing holistic approaches to supporting client's recovery and social integration. The outcome of better health, family relationships and social integration for clients is the bedrock of NGO service delivery and is what has attracted many people to work in our sector.

NADA has worked with its membership over the last decade on developing programs that address the high complex needs clients that our members deal with. More recent examples have included the Family and Carers Program, the No-Bars Program and the Practice Enhancement Program. (please see the NADA website for details at [www.nada.org.au](http://www.nada.org.au) )

A key issue to the development of cross agency capacity building and social integration outcomes is the way in which government funds program development in the sector. Many of the initiatives NADA has developed with its membership have been funded from one off grants to develop innovative approaches. While we support the government for the provision of funds for pilot program development we believe that more funding needs to be made available to follow up on the very positive outcomes from the programs mentioned above. NADA believes it important for government funding to reflect the innovative models of service delivery that are developed by the non government sector in NSW and for the sector to be able to demonstrate enhanced social integration outcomes for their clients.

## **TOR h) THE USE OF TECHNOLOGY TO IMPROVE SERVICE DELIVERY AND INCREASE COST EFFECTIVENESS.**

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

NADA believes more investment by government departments in electronic data management, from contract key performance indicator reporting to client and service level outcomes reporting needs to be implemented. NADA has demonstrated that Peak organisations are well placed to offer electronic data services to their members and act as a reporting agency to government funders. This role also helps the Peak organisation to assist members in good practice data collection and reporting and promotes a strong culture of evaluation and research in the sector.

Finally, NADA believes that a not- profit sector wide I.T. plan needs to be developed by the NSW government in close partnership with representatives from the NGO sector. This would inform the resource needs of the sector over the longer term and identify the synergies and efficiencies in developing better integrated IT systems in and across the sector.

## **CONCLUSION**

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NADA believes the NSW Governments Inquiry is timely with respect to the next phase of the development of a stronger and more strategic relationship between the State Government and the NGO human services sector in NSW. We believe that there is genuine and urgent need for reform and expansion of NGO grants management programs at the state level to increase the role of NGO service providers, reduce regulatory burden and improve grants management efficiency and effectiveness. We also believe that this Inquiry could result in a clearer statement about the partnership between the sector and the NSW Government and in the development of a state Compact between the government and the NGO sector.

## **NADA CONTACT DETAILS**

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**Larry Pierce**  
**Chief Executive Officer**

Network of Alcohol and Drug Agencies  
PO Box 2345  
STRAWBERRY HILLS NSW 2012

Ph. 02 9698 8669

[www.nada.org.au](http://www.nada.org.au)