

# Government/Non-government Relations: the impact of Department of Family and Community Services contractual reporting and accountability requirements

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***GOVERNMENT/NON-GOVERNMENT  
RELATIONS: THE IMPACT OF DEPARTMENT  
OF FAMILY & COMMUNITY SERVICES  
CONTRACTUAL REPORTING AND  
ACCOUNTABILITY REQUIREMENTS***

***RESEARCH REPORT***

MARGOT RAWSTHORNE AND SHEILA SHAVER

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**Government/Non-government Relations: the impact of Department  
of Family & Community Services contractual reporting and  
accountability requirements**

Dr Margot Rawsthorne and Professor Sheila Shaver

Final report originally submitted in 2004

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## **Preface**

This research was commissioned in 2002 by the then Australian Government Department of Family and Community Services (FaCS) under its Deed of Agreement for the Provision of Social Policy Research Services. A range of factors, including changed departmental responsibilities, have delayed the publication of the report.

The research arose from the Department's and the Social Policy Research Centre's common interest in understanding the impact of new funding arrangements, such as contracting, on non-government organisations. Like most governments in the Western world, the Australian Government was influenced by new managerialism and public sector reform. However, the introduction of new funding arrangements was accompanied by strong critical advocacy suggesting that contractual relations could also have some highly adverse effects. The research provided an opportunity to gain a better understanding of the impact of contracting across a broad range of services.

The report documents the experiences of over 600 organisations contracted to provide services on behalf of the Department as it was then. These experiences were gathered via a mail questionnaire focussing on the impact of contracting on clients, service delivery and organisations. The respondent organisations provided a wide range of services to a wide range of communities. For many respondent organisations the initial confusion caused by changed funding arrangements had subsided by 2003. As such the report provides a 'sober' assessment of the impact of contracting on these organisations.

The nature of relations between government and non-government organisations continues to be an important social and public policy issue. The new Labor Government in 2008 has signalled a desire to build strong relations with non-government organisations. Whilst many of the specific funding programs discussed in this report are likely to be changed (and some in fact were changed under the previous Government), the broad findings of the research continue to have relevance.

Dr Margot Rawsthorne  
January 2008

## **Executive Summary**

The past decade has seen profound cultural and policy change in relations between the government and non-government sectors. Influences such as new managerialism have reshaped traditional relations between these sectors as well as ushering in a mixed market in welfare services. Within Australia and internationally there has been considerable interest and some anxiety about what the changing nature of government/non-government relations might mean. The early sections of the report trace the evolution of government and non-government relations before identifying four current models or visions for re-shaping these relationships and redrawing the boundaries. These models are: social coalition; compacts; capacity-building; and contracting.

Following this broad discussion, the remainder of the report focuses on how contracting, the current dominant model, is shaping government/non-government relations. Of particular interest is the impact of reporting and accountability requirements on government/non-government relations, contracted agencies and departmental operations. This research was commissioned by the Australian Government's Department of Family and Community Services (hereafter called 'FaCS') and only the experience of organisations contracted by the FaCS are explored in the study.

### **The study**

The study examines a number of research questions, drawing on existing literature as well as quantitative data on the experiences and opinions of FaCS contracted organisations. These key research questions were:

- What type of reporting requirements do various organisations have and what impact have these had on the organisations?
- Is the administration of the contracts by FaCS effective and efficient?
- How do funded services feel about the reporting and accountability requirements of FaCS contracts?
- What broader effects have the changed reporting and accountability requirements had on the community services sector?
- What type of future reforms do respondents support?

A mail questionnaire was developed in consultation with FaCS, piloted and distributed to 1800 randomly selected contracted organisations. The random sample was generated from the FaCS Vendor Database, inclusive of the 10 program areas administered by the Department. These included: Stronger Families and Communities initiative; Emergency Relief Program; Job Placement, Employment and Training Program (hereafter JPET); Green Corps; Youth Activities Services (hereafter YAS), Reconnect, Disability Employment Program, Child Care Programs, Family Relationships Service Programs and other miscellaneous programs (mainly resourcing programs).

623 responses were received, representing a response rate of approximately one-third, which is a good response for a self-administered mail questionnaire. Whilst the findings are not fully representative of the views of all FaCS contractors or of organisations providing service on behalf of other government agencies the study has captured the experiences of many organisations traditionally absent from questionnaire research, including Aboriginal agencies, small country agencies and those reliant mainly on volunteers.

The study makes a valuable contribution to existing knowledge, although caution should be exercised in drawing conclusions beyond these respondents. The diversity of respondent experiences and views do enable exploration of why some organisations appear to be largely unaffected by contracting and the changed funding environment, others adversely affected and still others view contracting as an opportunity.

### **The respondent organisations**

The respondent organisations provide insight into the experiences of very diverse organizations. They range from very large organisations (over \$3 million annual income) to very small organisations (less than \$100 000 annual income). They provide services in a range of settings and to a range of communities, from large city based services with hundreds of volunteers, to Aboriginal organisations providing youth services in remote locations to for-profit childcare providers.

The respondent organisations include a good spread of organisations providing services in rural, regional and remote locations as well as organisations of different sizes. Each of the FaCS program areas is included in the sample although there are some variations from the overall FaCS program. One hundred and seventy respondent organisations (27 per cent) were receiving funding under more than one FaCS funding program.

Less than 10 per cent of respondent organisations employed more than 50 full time staff, with the median number of full time staff for all organisations being four. Nearly one third of respondent organisations employed at least two part time staff, however, the median number of part time staff for all organisations was five. Over two-thirds of respondent organisations had less than 10 volunteers, with the median number of volunteers for all organisation being seven.

Ten per cent of respondents were operating on a for-profit basis. Forty per cent of respondent organisations had an annual income of less than \$250 000 per year whilst another quarter had an income in excess of \$1m per year. Over half of respondent organisations had entered into two or more contracts or agreements with government agencies over the past 12 months. Nearly one-fifth had signed five or more contracts in the past year. Over half of the respondents provided services beyond metropolitan settings, although many gave more than one response to this question, suggesting large catchment areas. Ten per cent of organisations had specific population targets such as Aboriginal and Torres Strait Islander communities, non-English speaking communities or specific gender clients.

The individuals responsible for reporting and accountability are clearly highly skilled and experienced. Forty-two per cent of those individuals who completed the survey

held a bachelor degree with a further 24 per cent hold a childcare qualification. Nearly one quarter held a post-graduate degree in management or similar. Fifty-five per cent of those individuals who completed the survey had held their current position for more than four years. Some 40 per cent of respondents had been employed in the community services sector for more than 10 years.

### **Third sector concerns about contracting**

Within both the academic and third sector literature concern is expressed about the impact of reporting requirements introduced as part of contractual arrangements. At the centre of these shortcomings is the narrowing of the role of non-government organisations to that of ‘provider’, denying their legitimacy as bodies with broader roles to identify needs and reflect the views of disadvantaged groups and the wider community more generally. The third sector sees governments as applying market concepts and models opportunistically and inconsistently, drawing on earlier models when it suits and funding only a ‘contribution’ to the costs of activities while imposing excessive demands for accountability. There is a strongly felt view that the drive for reform in community services has given too little recognition to the negative impacts of reform on community organisations. Among the harmful impacts cited are:

- reduction in the number of small local organisations, especially in rural areas, with consequent loss of choice for consumers;
- a loss of flexibility and innovation in the sector as governments specify the nature and distribution of services;
- the loss of functions previously undertaken on the basis of generic funding but not specified in service agreements, in particular advocacy, community development and gap-filling in local service networks; and
- a loss of cooperation and collaboration between organizations in an increasingly competitive inter-organizational ethos.

The sector is critical of what it sees as a focus on means rather than ends, and the neglect of long-term considerations of organizational diversity, sustainability, and the distinctive community foundations that give non-government organisations their unique social capacities.

### **Contractual reporting and accountability requirements**

The study explored the impact of contractual reporting and accountability requirements from a range of perspectives: the type of reporting; the frequency; the staff hours allocated; and similarities between requirements between programs.

Contracted organisations providing personal and social support services and employment and training services have more onerous reporting and accountability requirements than other FaCS programs.

Less than two-thirds of the respondent organisations were required to provide performance reports, mostly on a half yearly or yearly basis. Just over half of the respondents were asked to provide financial data, once again on a yearly basis. As the



production of yearly accounts is a requirement of most formal structures (both for-profit and not-for-profit organisations) this is not likely to require additional work, although the accounts may need to be presented in specific formats. Just over half of respondents were asked to client data reports, although on a more frequent basis than other reports. Just over one-third of respondents were asked to provide work plans, mainly on a yearly basis.

The collection and reporting of client data requires the greatest allocation of staff resources. Over one quarter of respondents allocated in excess of eight days per month to the collection and reporting of client data. This was considerably more than other forms of reporting requirements. In all areas of reporting requirements, the larger the organisation the greater the time allocated to the task. This would suggest a positive relationship between grants received and reporting requirements, allaying some of the concerns of the sector in relation to the 'swamping' of small organisations by accountability requirements (Nyland, 1993: 134-6).

There appears to be no differences in reporting requirements between organisations by location. This suggests that the Department administers grants in a consistent way throughout the country.

### **Impact on functioning of contracted organisations**

In general, it would appear the increased accountability requirements had a mixed impact on the functioning of contracted agencies. In most cases it made little difference, suggesting that the data collected is primarily meeting the needs of the Department and of limited relevance to the management of services. It would appear reporting is viewed as an obligation by most contracted organisations rather than a tool with which to genuinely engage in quality improvement. Only in relation to public accountability and documenting organisations' work do respondents view reporting requirements as improving the functioning of their organisation. It would appear the reforms have had limited success in achieving their desired goals of significant improvements in operation. Greater dialogue and consultation may be required with peak organisations and individual organisations about achieving these goals.

Just over a quarter of respondent organisations said that reporting data improved their planning and targeting. From a service delivery perspective it is disappointing that the reporting requirements have had limited positive impact on the planning and targeting of services. In theory the reporting requirements would provide information with which services could understand more about their client group, identify gaps and develop strategies to address these gaps but this does not appear to have occurred. Some 10 per cent of respondent organisations found that the changed funding arrangements *hindered* efficient use of resources and the focus on clients. As these were two of the key drivers behind the reforms this is an important finding. The hope held out by McDonald (1999) that the changes would improve internal systems of management and control, including the functioning of boards and committees, also seems unrealised.

The research findings support the concerns expressed by the House of Representatives Standing Committee (1998: 56, 58-60) about the uncoordinated approach to monitoring. Approximately 60 per cent of responding organisations received funding from more than one government agency. In only a minority of cases, however, were the client data, financial reporting and performance reporting requirements of various programs 'exactly the same'. Financial reporting requirements were more likely to be at least 'similar' between programs than client data or performance reporting. Childcare providers had the least diversity in reporting requirements, with those providing Reconnect, Youth Activities Services and Stronger Families programs indicating the greatest diversity. The larger organisations, who were more likely to have a multiplicity of reporting requirements, also indicated the greatest diversity of reporting requirements.

The study examined how contracting affected organisational stress. The research findings suggest that change *per se* has contributed to organisational stress. As respondent organisations became more familiar with reporting requirements, achieved agreed outcomes and successfully negotiated new contracts, organisational stress levels have reduced. Contracted organisations indicating they were currently *very stressed* had decreased by 50 per cent from when the changes were initially implemented. Only a small minority, however, were comfortable with the changed funding environment and contracting. Nearly three out of 10 respondent organisations remained stressed about the changed funding environment suggesting either they continued to struggle to cope with reporting requirements or that the cause of this stress may lay elsewhere. Multiple funded organisations reported the highest levels of stress.

### **FaCS administration of grants**

Among contracted organisations there was considerable goodwill towards improved relations with the Department. The majority viewed the administrative aspects of the contract between service providers and the Department positively. Nearly three-quarters of respondent organisations rated the contract as 'good' or 'very good' in relation to the payment mechanism, use of plain language and adherence to current privacy legislation. The major areas of concern for organisations relate more to how the contracts express the relations between the funding body and the service provider (recognition of independence and organisational autonomy and clarity about rights of non-government organisations). Additionally, there were some concerns about the relationship between the level of funding and reporting requirements. Aboriginal organisations and those providing services under the Disability Employment program felt strongly about these issues. Small organisations did not indicate any particular concern about the relationship between funding level and reporting requirements. It would appear program requirements are of greater importance than size.

The literature suggested considerable anxiety about the impact of the move to contractual arrangements on the activities of advocacy organisations. An important finding from the research was the lack of any apparent effect of reporting and accountability requirements on the independence and autonomy of organisations involved in 'policy, service development and support' activities.

There was a desire among contracted organisations towards the creation of stronger relations with the Department. In general, they sought closer co-operation with Departmental officers. Some expressed the view that relations had deteriorated over recent years but remained open to greater Departmental support. Nearly two-thirds of respondent organisations sought informal advice and support from the Department as well as an identified contact person. Those organisations providing youth services expressed the strongest desire for closer relations with the Department. The majority of respondent organisations providing Emergency Relief services appeared happy with current relations.

Technological needs remain very high for most organisations, although it would appear this is particularly the case for medium sized organisations. These organisations may be undergoing growth, which their technological capacity is finding difficult to support. There would appear to be a clear capacity-building opportunity for the Department, particularly in relation to improved communication and information technology.

### **Impact of contracting on relations with government**

The results suggest a complex picture of the effect of the contractual funding arrangements on relations with the Department. Contractual funding arrangements in many cases did not have the adverse effect anticipated in the literature. Despite concern about the impact of the purchaser/provider model on collaborative needs identification, most organisations felt they remained able to participate in the policy development process. Concern in the literature about the diminution of advocacy appears not to be supported by these findings. The vast majority of respondent organisations felt their ability to advocate for disadvantaged people had not been impaired by the new funding arrangements. Importantly given the concerns expressed in the literature about the impact of contracting on peak organisations, those respondent organisations involved in 'policy, service support and development' felt their advocacy capacity was unimpaired. Additionally, two thirds of respondent organisations believed they *had not* been diverted from their vision and purpose by contractual arrangements.

However, nearly half felt they were more accountable to the Department than to the community under the new funding arrangements. The desire to create greater clarity about the role of the parties embedded in the purchaser/provider model had not been achieved according to the vast majority of respondent organisations. There was considerable ambivalence within the respondent organisations about the likelihood of receiving funding for preventative or developmental work and about whether they were encouraged to compete rather than collaborate. There was also considerable criticism of the feedback received from the Department among respondents as well as some concern about the utility of the information generated by accountability measures.

In general, it would appear relationship with the Department was more difficult for larger organisations and those providing services in remote settings. There was marked diversity in views between programs about the impact of the changed funding environment on relations with government. In general, those respondent organisations

providing Disability Employment services expressed greater concerns than other organisations. The experiences of these organisations contrast with those providing services under the Emergency Relief program, which was generally more positive.

Organisational stress levels appear to be associated with concerns about the cultural changes embedded in contractual arrangements. There was a statistically significant relationship between organisational stress levels and the impact of changed funding arrangements on relations with the Department. The data suggests that a perception of being ‘encouraged to compete rather than collaborate with other agencies’ contributes to greater organisational stress levels. Feeling ‘more accountable to the Department than to our community’ also appears to significantly affect organisational stress level. It would seem that whilst reporting requirements per se are now a settled reality, concern persists among respondent organisations about the philosophical changes that accompanied contracting.

### **Impact of changes on broader sector**

In contrast to the diversity of effects reported by contracted organizations, there appeared to be a much greater level of agreement about the adverse impact on the broader community services sector. Significant numbers of respondents expressed the same opinion on all effects, with the exception of whether the changes had created new opportunities for organisations.

Many respondents felt strongly that the changed funding environment had negatively affected the broader community services sector. Over half of responding organisations felt there had been a loss of small organisations (although this was not necessarily supported by the small respondent organisations) and a corresponding growth in large organisations. Respondents also expressed concern about the lack of response to emerging needs, an increasing gap between community needs and service provision and a reduction in overall funding levels. They felt strongly that the changes had not resulted in greater efficiency or better targeting of services. They were more ambivalent about whether the changes had resulted in new opportunities for organisations. Over one-third of respondents were unsure whether the changes had resulted in greater caution in advocacy, suggesting there was some uncertainty in the field about this.

Concern about the impact of changes on the broader sector appears to underlie organisational stress levels. Of particular concern is the inability of the broad community services sector to respond to and meet community needs.

There is clearly a perception among respondents that the changes have been adverse at a broad level, even if this has not necessarily been their experience in relation to their own organisations. This disjuncture requires further exploration. Addressing these perceptions pose some challenges for the Department.

## **Moving forward**

Given contracted organizations current experiences and concerns, what were their priorities for reform? The three issues for potential reform that received greatest support from respondents all related to financial aspects of relations between government and contracted organisations. Some 70 per cent of respondent organisations felt that increased funding levels were very important to the effectiveness of the community services sector. This possibly reflects concerns expressed earlier about the growing gap between community need and service provision and the lack of response to emerging needs. Respondents also felt longer funding cycles and greater transparency in terms of tenders were very important to the effectiveness of the sector. Interestingly from the perspective of this research, most respondents did not view the frequency of reporting as high priority or ‘very important’. This supports the view that reporting and accountability requirements were now a settled reality among contracted organisations.

Based on the research findings the following recommendations are made in relation to the reporting and accountability requirements of the Department:

- that FaCS review Department-wide reporting requirements with a view to maximising standardisation and consider ways of improving Department-wide data collection and analysis;
- that program managers consider the issues identified in the research, particularly those affecting organisations providing services under the Disability Employment and Family Relationships programs; and
- that program managers consider current reporting levels for organisations providing services under Reconnect and YAS.

In relation to shaping the boundaries between the Department and contracted organizations it would seem models of partnership should be tailored to specific needs. When considering its strategic framework the Department may wish to adopt different models (or parts of models) in different contexts. Further social coalition initiatives would need to consider the lack of interest revealed by for-profit organisations in this research in being ‘policy partners’. Some type of formal agreement (similar to the UK Compact) with the non-government sector, individual organisations or those providing specific programs may assist in alleviating some of the organisational stress revealed in this study. Among these respondents there would appear to be considerable opportunities and goodwill towards the Department taking on a more active capacity-building role with contracted organisations.

The following recommendations are made in relation to the partnership approach of the Department:

- that FaCS officers consider capacity-building initiatives, particularly in relation to communication and information technology; and
- that FaCS seek to address concerns relating to cultural change through its strategic partnership framework, including consideration of some form of formal agreement.



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## 1 Introduction

FaCS relies on many non-government organisations (NGOs) (approximately 7000) not only to deliver community services but also to provide policy and service delivery advice. They in turn rely on FaCS to provide an efficient and effective policy and service framework and, often, a substantial portion of their budget. This relationship needs to be balanced between the community's need for services and the desires of government and community for transparency and accountability in these relationships.

In 2002 the Commonwealth Department of Family and Community Services (FaCS) commissioned the Social Policy Research Centre (SPRC) to conduct a two-part study of *Government/Non-Government Relations and the Impact of Reporting and Accountability Requirements on Non-government Organisations*.

Over the last decade there has been profound change in the organisation and funding of community welfare services in Australia. During this time there has been a reshaping of funding to mark a clearer separation between government, which since the advent of white settlement has been responsible for funding social care, and responsibility for providing the actual services, much of which has historically been the role of not-for-profit organisations. Accompanying this change, reporting and accountability requirements for contracted organisations have increased dramatically and included greater focus on performance measures, outcomes, fiscal responsibility, contracting, tendering and case-based funding.

The same period has also seen discussion in Australia and overseas of new ways that the government and non-government sectors might work together. Current approaches in NGO relationship management are expected to continue to focus on building partnerships and strengthening accountability standards. This report examines some of these ideas, and explores the experience of non-government organisations with the reporting and accountability requirements associated with new types of funding arrangements. It is hoped that this report will assist the Department's work on a Partnership Framework to formalise its commitment to work in partnership with NGOs.

The research comprised the following elements:

- a review of the literature on relationships between the government and non-government sectors particularly around 'compacts' and 'partnerships' in both Australia and other comparable western democracies;
- a review of the Australian literature on reporting and accountability requirements associated with service delivery by NGOs on behalf of government departments;
- a survey of diverse service providers and peak bodies to identify issues of reporting and accountability requirements and to seek their views on whether there has been or might be an impact on service delivery or the operation of NGOs following increases in reporting and accountability requirements; and
- analysis of potential connections between reporting arrangements and relationships between government and non-government bodies.



The literature review on relationships between government and non-government sectors aimed to identify similarities and differences in how this relationship is shaped. It drew on experiences in various Australian States and in countries such as New Zealand, the United States, Canada, and Great Britain. It identified four models of relationship, the 'social coalition'; 'compacts', 'capacity-building' and 'contracting' and identified the strengths and weaknesses of the various models.

The research included a postal survey of non-government organisations (NGOs), conducted between November 2002 and January, 2003. The questionnaire was distributed to a random selection of organisations contracted by FaCS to provide services.

The postal survey covered the experience of both large national service providers and small local providers; organisations dealing with different departments across the Federal Government; and organisations from all States and Territories. The research was particularly interested in identifying reporting and accountability processes that either aided or hindered the work of contracted organisations. It included questions relating to:

- The organisation, including size, income, location and program funding. It aimed to obtain information that would enable the study to be compared with other research such as the Australian Bureau of Statistics Community Services Survey;
- The organisation's experience of FaCS' reporting and accountability requirements;
- The organisation's experience of government reporting and accountability requirements generally; and
- The respondent, including experience, qualifications and personal characteristics. This will provide information about the types of people employed to meet reporting and accountability requirements and enable analysis to explore the impact (if any) of these factors on NGO experience.

The report has a number of sections. Section 2 of the report outlines the policy background to the research. In the third section details of the sample, questionnaire and responding organisations is provided. Section 4 contains findings from the survey, including information on the extent of reporting requirements, the effect of reporting and accountability requirements on non-government organisations operations and the impact of contracting on relations with the Department. Section 5 provides a discussion of issues arising from the research.

## 2 Policy Background

This section describes the policy background or context for the study. Firstly, it outlines the historical development of government and non-government relations before exploring a range of newer approaches. It aims to provide a backdrop to the main focus of the report: the impact of contractual reporting and accountability requirements on non-government organisations.

In Australia as elsewhere, there is interest in new ways in which government and non-government organisations can work together in developing and providing community and welfare services. Driving much of the current discussion is a vision, perhaps idealized, of the public (government) and private (non-government, including voluntary and community) sectors working as collaborators rather than competitors in an integrated service system.

### 2.1 Historical context

If the vision is contemporary, the discussion is longstanding and the issues perennial. One reason for this is that the relative roles of government and non-government sectors have themselves changed. Lewis (1999) charts this relationship in the UK, seeing it as having changed with the social and political context of the time. In the late 19<sup>th</sup> century, political leaders thought of voluntary action as operating in parallel to the state, as separate spheres operating in the common moral framework of philanthropy. The colonial Australian interpretation of this idea saw philanthropy working on behalf of the state, and funded by it (Dickey, 1980: Chapters 1-3). The relationship changed with the advent of new liberalism and the nascent welfare state in both countries. As the state came to do more for its citizens, voluntary organizations took on new roles in influencing and supplementing public sector activity, and in the era of the postwar welfare state came also to represent a third moral complement to the self-interested logic of business and the market and the abstract equality of rule-based bureaucracy. The failure of charity in the face of depression and mass employment was an important spur to the development of Australian social security, and leading charitable organizations played important parts in the rediscovery of poverty in the 1960s (Lewis, 1999: 259-60; Dickey, 1980: Chapters 5,7).

Lewis sees the roots of a third shift in the relations between government and non-government sectors planted with the critiques of the welfare state made from both the left and the right during the 1970s. The mature tree of 'welfare pluralism' itself grew up in the late 1980s and early 1990s. The ideas of New Public Management gave shape to this shift in both countries. In Thatcher's Britain the shift to management by performance and outcomes were joined with a push to replace the integrated professional hierarchies dominating public services with service delivery arrangements organised as quasi-markets (Lewis, 1999: 260-1). In Australia under Labor, the fiscal struggles of federal/state relations gave the same shift, though coming more slowly, an added complexity (Rogan, 1996). Lewis (1999) argues that the form being given to relations between government and non-government sectors in this third period is historically new, and that UK discussions around New Labour's 'Compact' between government and the voluntary and community sector is one expression of a reworking of issues and relationships taking place in the present period. More concretely and closer to home, the case for new constructs of relations

between sectors has been made in arguments variously advocating a social coalition, partnerships and capacity-building as strategic directions for the development of service provision.

The concept of welfare pluralism has its origin in the 1978 Wolfenden Report on *The Future of Voluntary Organisations* in the UK, which recognised the roles of four sectors in meeting social need: statutory, voluntary, market and informal (household). The concept of welfare pluralism (as does its close cousin the mixed economy of welfare) draws attention to the role of policy in shaping the 'welfare mix' of social provision within and between the sectors. In the 1970s and 1980s, debates about these ideas focused on the respective virtues of government and voluntary sectors, and the need to make social provision more flexible and responsive. There was little consideration of market provision of community services (Johnson, 1987: 55-63). By the 1990s, the spread of New Public Management ideas, the division of purchaser and provider functions and contractually-based funding made welfare pluralism a settled reality. Policy discussion now focuses on how the distinctive elements of government, non-government, market and household are brought together, how the distinctive principles that apply in each sector may be integrated in practice, and how the appropriate welfare mix is managed and sustained.

The search for these new, collaborative ways of bringing the sectors and players in community service provision together reflects a number of views that, if not universally held, are now widely shared. One is a belief that established strategies for dealing with social problems have not worked and that new approaches are needed. The resilience of problems such as joblessness, disadvantage and behavioural problems was a major theme of the Reference Group on Welfare Reform (2000) led by Patrick McClure and of support for its communitarian themes of mutual obligation and community capacity-building. In its turn, this belief draws on a further critique of centralised government and the simple model of policy development associated with traditional understandings of the welfare state. Public sector reform is a response to wider pressures to open the activities of government and the state to wider social participation (Langford and Edwards, 2002: 8). In the case of social policy, these pressures include challenges to received, 'one size fits all' models of social care unresponsive to the diversity of individual needs, backgrounds and capabilities (Mitchell and Graham, 1994; Yeatman, 1996). This too has been a key theme of welfare reform. There is also a new valuation of approaches that are at once holistic and strategic. As has already been noted, there have always been non-government players in social policy, but the welfare mix is now far more complex than in the past and includes both non-profit and for-profit bodies contracted by the state as well as organisations pursuing values and remits of their own. This more complex mix offers a new basis for social care designed to move away from vertically oriented 'silo' arrangements to horizontal, network-based approaches. At the same time, the competitive funding models at the centre of the new welfare mix also present new challenges to integration and co-ordination, and the democratic community models raise complex issues about to whom organizations are accountable (Langford and Edwards, 2002: 10-1). The current language of 'partnership' attempts to speak to all these issues.

The widespread use of the term 'partnership', however, has not been accompanied by any consensus about its meaning. It has been used in so many forms that it is difficult

to see a meaningful core of common attributes in the many examples of 'partnerships'. The slipperiness of its meaning is evident in the recently released 'Purchasing: A Partnership Approach' paper by the Department of Community Service in New South Wales (2001). The non-government sector, quite rightly, questions whether any relationship structured by a purchaser/provider split can be said to have any meaningful basis for partnership (Western Sydney Community Forum 2002). The notion of partnership is used in such a situation to obscure the political implications of government policy (in this case the introduction of competitive tendering), giving rise to considerable cynicism in the non-government sector about how genuine governments are in their desire to work in partnership (Baker, 2002:9-12).

The Oxford Dictionary defines 'partnership' as 'an association between two or more persons for the carrying on of a business in which they share the expenses, profit and loss'. Whilst this definition relates to commercial partnerships, it has relevance to government/non-government relations if the 'business' is conceived of as an enterprise with social outcomes. A 'partner' is defined as 'an associate, a colleague, or a sharer'. In thinking about government/non-government partnerships we could consider how the expenses (grants, expertise, networks, knowledge and skills), profits (beneficial social outcomes, sustainable organisations, employment opportunities) and losses (risk taking, unsuccessful programs, politically unpopular decisions) are shared between the partners.

Government/non-government relations therefore contain inherent struggles over how the expenses, profits and losses of the partnership are shared and with whom (Baker, 2002: 9-12). How power plays out between government and non-government organisations is complex and dynamic. Partnership is practiced in a range of settings or levels. At a macro level, partnership is practiced through participation in broad policy development processes or reviews (such as the Reference Group on Welfare Reform). At a micro level, it may be practice through negotiating a budgetary carry over for management committee training with a grants program manager. It is certainly too simplistic to imply that money equals power. Local knowledge, networks, expertise and participation all are sources of power for non-government organisations, albeit not to the same extent. In fact, there are numerous examples when the use of such a blunt instrument of power (that is, the de-funding of services) has proven counter-productive for governments (Sawer and Jupp, 1996: 86-98). In relation to the Tasmanian Government, ACROD *et al* (2002) note

there was a lack of clarity about the Department's view on what constitutes a 'partnership' with the community organisation sector, as well as varying notions in the community sector of what constitutes a legitimate partnership relationship (2002: 18).

'Working in partnership' has become so ubiquitous in community service provision it would seem people rarely ask: *what will the partnership achieve that would not otherwise be possible?* Asking such a question enables the clear articulation of the benefits that may arise from a partnership approach, and thus provides opportunities for evaluation. In far too many partnership initiatives, evaluation is an afterthought. Partnership initiatives require *both* performance and process evaluation.

The reporting and accountability requirements imposed by governments on grant funds produce specific meaning for the nature of the potential partnership. These provide a basis for transparency in the relationship. At the same time, reporting requirements disproportionate to the level of funding, for example, imply a lack of trust (and trustworthiness). Intrusive reporting requirements imply a lack of recognition of the independence of the non-government partner. In considering partnerships governments need to consider the whole of the relationship, not merely one initiative or a single point in time.

Whilst historically many organisations within the non-government sector have experienced government funding as a tension, the influence of competition policy on community service provision has significantly altered the way in which the partners share the costs and benefits of partnerships (Healy, 2001: 16). When examining the various approaches to partnerships currently adopted within Australia and internationally we need to consider who the parties are and how power is shared, in practice and symbolically, between them.

## **2.2 Some current models or approaches**

Within this historical context and current interest in government/non-government relations four forms or models can be identified: 'social coalitions'; 'compacts'; 'capacity-building' and, 'contracting'. Whilst they have been identified as separate models in some circumstances they co-exist. This section describes: social coalitions, most closely associated with the Howard Coalition Government in Australia; the compacts model, most closely associated with the Blair New Labor Government in the United Kingdom; and capacity-building approaches, associated with Canada. The fourth model, which was the focus of the survey, will be discussed in the next section.

### **Social coalitions**

Much of the current Commonwealth Government's social policy direction over the past few years has been underpinned by the concept of social coalition (Howard, 2000: 11). As a result, the notion of social coalitions in Australia has become associated with neo-liberal or conservative politics. Support for social coalitions, however, is much more widespread and it could be argued that its association with a particular political party (or politician) has limited discussion about the opportunities arising from a social coalition approach. A social coalition is 'a partnership of individuals, families, business, government, welfare and charitable organisations' (Howard, 2000: 11) collaborating to solve social and economic problems. The distinguishing feature of the social coalitions approach is this partnership between the four sectors - government, business, non-government organisations and communities. Whilst historically Australia has had a mixed economy of welfare (ACOSS, 1999: 10-13), the social coalitions approach has seen much greater emphasis on business involvement. This is evident, for example, in the greater diversity among service providers in arenas such as employment, aged care and childcare. The marked increase in for-profit organisations providing community services over the past decade reflects the greater emphasis placed by the social coalition approach on the involvement of business in solving social and economic problems. Business is viewed not only as bringing new resources to social and economic problems, but possibly more importantly also bringing new ideas, attitudes and skills. The social coalitions approach recognises

the potential benefits for all Australians of encouraging the development of strong and active collaboration between the community and business sectors. Partners combining their resources and talents to achieve mutual goals, development creative solutions to local and regional problems and most importantly, to strengthen community ties (The Prime Minister's Community Business Partnership, 2002a).

Within the academic and practice literature there is relatively little written specifically on the concept of 'social coalition'. However, although the term social coalition is relatively recent, notions of public/corporate sector partnerships are not necessarily so. In reality 'collaboration of one kind or another has always occurred' (Davies 2001:1). In the UK, for example, during the late 1970s, Inner City Partnerships were formed to generate closer collaboration between government and the business sector (Davies, 2001: 4). In 1994 the Conservative UK government introduced a major urban policy initiative – the 'Single Regeneration Budget – which had three strands: partnership, integration of economic and social issues, and competition.

Likewise in Australia, over time we have seen many policy initiatives which could be described as drawing on the social coalitions approach. These have been developed and implemented by all levels of government. At a Commonwealth level, initiatives such as the Office of Labour Market Adjustment (OLMA) Committees in the early 1990s were established to encourage local ownership by involving the community and local business in responding to problems arising from the structural adjustment of the economy (Kilmartin, 1994). State government's initiated programs such as Mainstreet Projects to revitalise the central business districts of rural regional centres through a community development process involving key government, business and community groups (Croft, 1993). Local government probably has the longest history of working in collaboration with local business interests and community groups through local economic development initiatives (Peel and Pearce, 1999). Some current social policy initiatives influenced by the social coalitions approach include the Prime Minister's Community Business Partnership and the Sustainable Regions Program.

Collaboration across the various sectors of the community also has advocates beyond government. Whilst not a strong element of Australia's welfare tradition, individual and business philanthropy (through organisations such as The Myer Foundation) have been expressions of a commitment to participating in solving social and economic problems. A recent study by the Centre for Corporate Public Affairs of 115 large companies notes that the past decade has seen 'several significant overtures by government for greater business community involvement in Australia' (2000: 22) and suggests that 'Australian business is experiencing a transition in expectations of its social role' (2000: 11). The study found that

the great majority of companies ... support involvement with the community as part of an expanding social role that contributes to the continuing health and growth of their businesses. (Centre for Corporate Public Affairs, 2000: 11)

The past decade has also seen much greater interest from non-government organisations in forming partnerships with business and exploring new solutions to solving social and economic problems. There is a small but growing movement in the

non-government sector in Australia trying to foster closer links with business, mainly through the social entrepreneur movement (Healy, 2001). Social entrepreneurs aim to harness diverse insights, energy and resources in achieving social outcomes by encouraging greater collaboration between communities, business, government and the community sector, perhaps even dissolving the divisions between them (Healy, 2001). The aims of Social Ventures Australia, for example, include supporting 'the appropriate application of business and commercial skills to the social sector' and creating 'a space for individuals in the corporate sector to contribute to the support and growth of social enterprises' (Traill, 2002). The social entrepreneur movement involves at times an explicit critique of the traditional service framework of non-government welfare sector through which disadvantaged people 'can be pathologised unnecessarily' (Schwager, 2000: 2). Government, business and non-government organisations advocating a social coalitions approach would agree that working in partnership

has the potential to enrich people's lives and deliver tangible benefits to all Australians. It can do so by harnessing the energy and sensitivity of community organisations, the drive and innovation of local businesses and the ambitions of parents to make a better life for themselves and their children. I believe that such a social coalitions has the capacity to be strong enough to respond to entrenched social problems, yet flexible enough to address them in contemporary ways (Howard, 2000: 11).

The social coalitions approach is premised on the belief that finding the solution to social problems is not the domain of any one sector of the community, including significantly the Government. In some ways, the social coalitions approach signals a move away from the traditional role of government as what could be termed 'the lead agency' in solving economic and social problems. There is within the notion of social coalitions an explicit critique of previous policy initiatives and the way in which 'taxpayers money' has been (mis)used (Howard, 2000: 11). The social coalitions approach provides a way through the impasse created in service delivery by 'narrowly defined objectives' and 'vertical silos' that are typical of publicly funded programs (Bright, 2001: 1). It is argued that only through working in effective coalition, harnessing the special strengths of the various sectors of the community, will solutions be found to the social problems confronting Australia.

Another important aspect of the social coalitions approach is that it has 'sought to encourage a philanthropic tradition in Australia' (Howard, 2000: 11). The Prime Minister's Community Business Partnership has strongly advocated for greater social responsibility to be exercised by the business community. Australian business, by international standards, does not have a well-developed philanthropic tradition (Lyons, 1999). Schwager, an advocate for greater business/community sector collaboration, argues that Australian business has been more concerned with tax benefits than making real, sustainable difference (2000: 4). Interestingly, this aspect of the social coalitions approach is couched in terms of the 'mutual obligation' of the business sector, extending another dominant Coalition Government social policy concept beyond those in receipt of financial support from the government (Howard, 2000: 11).

Most of all, the social coalition is firmly rooted in notions of mutual obligation – that those who have done well have an obligation to the less fortunate, and that those who are supported by the community should give something in return. (Howard, 2000: 11).

It is argued that the most significant outcomes of the social coalitions approach are those ‘that can’t be quantified’ (Meagher, 2002: 8). These outcomes relate to the development of trust, understanding and linkages across sectors of the community, if not in open conflict, at least with ‘different cultures’ (The Prime Minister’s Community Business Partnership, 2002). In this way the social coalitions approach has inherently within it opportunities to build what Hampshire and Healy (2000: 9) argue are the key elements of social capital: trust (through dialogue and greater understanding); opportunities for civic participation (through staff volunteering and staff fundraising); and cross-institutional co-operation (through joint initiatives). These social capital benefits also flow to businesses as

Involvement improves employee morale, helps teamwork and broadens management perspective when volunteer employees and managers come into contact with locations, interests and social groups with whom they do not routinely engage (Centre for Corporate Public Affairs, 2000: 14).

From a non-government perspective, the social coalition approach may provide an opportunity to create some financial distance between themselves and governments. In the current context government/non-government relations are strongly shaped by competition policy reforms and reliance on government funding. Healy argues that the ability of the non-government sector to engage with government as genuine partners, not merely as service providers, is ‘at least partially dependent on their capacity to achieve some financial distance from the state’ (2001: 16).

Some of the lessons highlighted by those actively involved in the social coalitions approach coincide with some of the concerns expressed by critics of this approach. Learning Links, an Australian charity helping children with learning difficulty, in a highly successful partnership with Citigroup, notes

Raising money to cover administrative costs is next to impossible. Learning Links did not cost this side of the partnership – but are now very aware that it takes time and money to sustain a partnership and that money has to come from somewhere. Don’t underestimate the time and resources that need to be devoted to making the partnership successful....

Probably one of the longer-term difficulties for Learning Links is that whilst funding enabled us to take our services to a disadvantaged area of Sydney, we know we would eventually have to find an alternative way of funding a branch in a financially disadvantaged community....

Although we have not yet secured alternative funding, we are hopeful that our Western Suburbs Branch will continue with help from a range of sources. But there are no guarantees.....



Partnerships can't last forever.

(Meagher, 2002: 8)

Sustaining a successful partnership costs both time and money, resources that are not in abundant supply among many disadvantaged communities or community organisations. In the above quote, Meagher (2002) refers to the administrative costs but there are many other up front and ongoing costs such as putting proposals together, developing and presenting images that are attractive to businesses, 'selling' ideas, providing an appropriate environment in which to discuss the partnership and drafting agreements. Additionally, many of these activities draw on skills not traditionally associated with community organisations so there may be significant 'trial and error' before finally securing a partnership project with business.

Once a partnership project has been secured, however, there may still be no certainty in ongoing funding or, as is the case with Learning Links, the project may be time limited. Short-term funding (whether via a business/community partnership or through more traditional government sources) is a source of ongoing practical and ethical difficulties for non-government organisations. Projects aimed at addressing causes of social problems require a long-term commitment and many non-government organisations are loathe to undertake projects which they know will create expectations among the community which they are not in a position to guarantee will be ongoing. In the case of Learning Links, children with learning difficulties, their families and teachers who have found the program useful will not necessarily understand the time limited nature of the partnership and possibly hold negative opinions about the agency providing the service not necessarily the corporate sponsor.

The increasing focus of corporations on the 'business benefits that flow from community involvement' (Centre for Corporate Public Affairs, 2000: 13) is within the context of the 'bottom line'. The majority of companies involved in the Centre for Corporate Public Affairs Study indicated that business involvement in social and economic partnerships needs to be 'clearly aligned with the long-term commercial interest of their companies' (2000: 11). This focus on commercial interests has led to a blurring of the boundaries between corporate philanthropy and corporate sponsorship (Encel and Studencki, 2000: 4-6). Corporations are taking a much more strategic approach to community involvement aimed at enhancing reputations, improving community relations and having a positive effect on employee morale (Centre for Corporate Public Affairs, 2000: 12-13). This focus on the business benefits signals a move away from corporate philanthropy being a largely compassionate activity towards a view of it as a form of investment (Encel and Studencki, 2000: 5). It remains to be seen how businesses justify their philanthropic investments during periods of economic downturn or business difficulties. Ironically it is exactly during these times that communities need the most support. The alignments between business interests and disadvantaged communities are not always obvious and as the Centre for Corporate Public Affairs comments

Some areas of social concern may not easily align with the goals of the business, with the result that community groups may miss out on support as corporate community involvement becomes strategically linked to business outcomes (2000: 14).

The other major concern expressed about the social coalitions approach is that it may provide a cover for government withdrawal from traditional areas of responsibility and/or cuts in social expenditure. These concerns are acknowledged by many of the advocates for the social coalitions approach, but most vocally by non-government organisations (ACOSS, 1996; 1999). The Prime Minister has indicated that the social coalitions approach ‘does not entail government reducing its commitment in any way’ (Howard, 2000: 11). In the context of a push for smaller government and a transition in the role of the state, the corporate sector also wants to be clear about their potential involvement in addressing social problems

Neither government nor business is suggesting that [greater community involvement] involves some simple transfer of responsibility or that business could, or would, ever assume financial responsibilities for significant parts of social welfare (Corporate Public Affairs, 2000: 22).

Coupled with the concerns of non-government organisations about shifting funding responsibilities is a concern about the lack of recognition of the vital contribution the non-government sector makes to the social wellbeing of the community (ACOSS, 1999). Significantly, many of the public statements in relation to the social coalitions approach make no mention of non-government organisations, focusing instead on the need for greater business involvement. This is viewed by organisations such as ACOSS as indicative of the ‘dominance of economic thinking’ (1999: 21), evidenced by the adoption of market-like techniques in the funding, management and evaluation of community services. From ACOSS’ perspective,

It is not clear at this point in time how governments are weighing up the specific contributions that non-profit community organisations make in communities and to society more generally, or whether they are doing so at all. (1999: 21).

### **The Compacts approach**

The term ‘compact’ has been popularised by the Blair New Labour Government in Britain. In the UK context it refers to the *Compact on Relations between Government and the Voluntary Sector in England*, which was presented to the Parliament in November 1998 by the UK Home Secretary. For this reason the compacts approach has become associated with labour or progressive politics. As is the case with the social coalitions approach, this political association is not altogether helpful or relevant (Baker, 2002: 9-10). The aim of the UK Compact is:

(to create) a new approach to partnership between Government and the voluntary and community sector. It provides a framework to enable relations to be carried out differently and better than before. Government and voluntary and community organisations share many aspirations – the pursuit of inclusiveness, dedication to public life, and support for the development of healthy communities. The Compact is a starting point for developing our partnership, based on shared values and mutual respect (The Rt. Hon. Jack Straw MP and Sir Kenneth Stowe, 1998).

More broadly, however, the concept of compact has come to signify some form of formal statement or agreement between government and non-government organisations. Inspired by the UK experience, other countries (such as Canada, Ireland and New Zealand) as well as most Australian States and Territory Government (with the exception of South Australia and Western Australia) have developed some form of compact (ACROD *et al*, 2002; Baker, 2002). In each of these settings different terms are used but they all broadly fall into what we have called the compacts approach. Ideally the formal agreement or compact is complemented by other agreements or guidelines about issues such as grants administration (Baker, 2002: 10).

The compacts approach enables the clarification and clear articulation of the roles, rights and responsibilities of the government and non-government organisations. Their development involves considerable consultation and dialogue between representatives of government and non-government organisations, providing an opportunity for establishing greater trust and understanding. The development of the Compact in the UK involved a Ministerial Group (with participants from various government departments) and a Voluntary & Community Sector Working Group on Government Relations (with representatives from various peak organisations) with a reference group of some 65 voluntary organisations. In Canada thousands of copies of the discussion paper preceding the formal agreement were distributed followed by extensive consultation and written submissions (ACOSS, 1999: 37-38). In New South Wales the process is being driven through the Forum of Non-Government Organisations (FONGA) following extensive consultations undertaken by an independent consultant (Success Works, 2000). Reviews of the UK Compact indicate positive outcomes from the process of dialogue, with improved working relationship between Ministers and the Compact Working Group resulting from greater understanding and information (Eagle and Stowe, 2001: i).

An important aspect of the compacts approach has been agreement on the core principles that shape the relationship between the government and non-government sectors. These include notions of: interdependence; co-operation; dialogue; collaboration; public accountability; and acknowledgement of the community sector's unique role. From a non-government perspective, this last core principle is extremely important, as the FONGA (NSW) indicates

This document (draft Compact) has been formulated on the understanding that an independent, diverse non-government sector is an essential component of a democratic, socially-inclusive society (2001: 1).

The Council of Social Services network argues that some form of formal agreement is needed to overcome the negative effects of competition policy and reform on government and non-government relations (ACOSS, 1999: 39). One of the important outcomes from the compact approach is to provide greater stability to the relationship and thus facilitate greater collaboration between the sectors. In 1999 the Council of Social Services network observed that at a Commonwealth level in some programs 'reform continues apace' with little regard to ensuring the community welfare sector's continuing capacity to contribute to Australia's economic and social development into the future (ACOSS, 1999: 40). The compact approach would enable this through

genuine agreement about respective roles and contributions as well as a set of principles to guide the future relationship (ACOSS, 1999: 39)

A more coherent and consistent strategic approach to reform of community services is required. This is the only way to ensure that all stakeholders can move forward together (ACOSS, 1999: 39).

Another element of the compact approach, which is viewed as important, is its overarching nature or whole-of-government approach. Non-government organisations have long complained about the lack of consistency between government organisations in their dealings with the sector (Laugher, 2002: 30-31). As FONGA notes, an important element of the compacts approach is that it 'overrides the policies of individual Government agencies' (FONGA, 2001).

Many lessons can be gained from the UK experience of the limitations of the compacts approach. Some of the difficulties identified by the various evaluations of the effectiveness of the Blair Government's approach to partnerships include: turning policy into practice; getting the participation and commitment of all elements of the government authority; good communication within and from government; ensuring non-government organisations have the capacity and resources to participate and be included; and time to develop mutual understanding (Craig *et al*, 1999: 3). It would also seem that having a history of dialogue is important to the success or otherwise of the compacts approach (Craig *et al*, 1999: 3).

It is clear that working in partnership, including the process of reaching agreement about roles, responsibilities and principles is far more complex than initially thought (Mayo, 1997). The diversity of the non-government sector renders representation extremely fraught (Baker, 2002: 11). There is certainly some justification for questioning the possibility and desirability of treating the 'loose and baggy monster' (Kendall and Knapp cited in Lewis, 1999: 268) that is the non-government sector as a single entity. The effectiveness of the compacts approach will be determined by the 'ownership' created through consultation.

Unless underpinned by a genuinely consultative and inclusive process, the development of a compact will be counter-productive, leaving small and marginal community service organisations feeling even more powerless and disenfranchised than they already do (Baker, 2002: 11)

In the UK this has been most evident in the complaints of Black and Ethnic Minority organisations about their exclusion or, possibly more accurately, lack of inclusion in the Compacts process (Craig *et al*, 1999: 3). The compacts approach raises not only the issue of 'representation' but also of consensus. Research undertaken on behalf of the New South Wales government found there is no consensus among non-government organisations as to the benefits that might flow from the compact process.

There was no agreement about the role or potential effectiveness of a Compact in delivering either the specific changes needed or the wider objective of improving relationships between the sector (Premier's Department, 2001: 1).

A similar observation could be made in relation to government agencies which will have varying levels of understanding and commitment to the notion of working in partnership with non-government (Baker, 2002: 11). The Progress Report on the Development of the Compact indicates limited use by various departments or agencies in the UK of protocols developed and agreed under the Compact, including protocols about consultation, policy appraisal, funding and the inclusion of Black and Minority Ethnic organisations (Eagle and Stowe, 2001). These seem to be significant shortcomings in the practical implementation of the Compact and possibly indicate resistance on the part of those who administer and manage grants rather than omission. Grant program administrators who have the day to day dealings with non-government organisations and know first hand the complexity of delivery community services may find global statements developed without their input meaningless or, at worst, an obstruction. Whilst there is clear recognition of the need for inclusive processes for non-government organisations, the need for inclusion of staff working in government agencies at all levels is less accepted. Without the participation and commitment of grants administrators, however, the Compacts approach will remain at the level of global statements of principle and will not take effective form in practice. The lack of implementation of the Compact in the UK has led to independent evaluations suggesting that sanctions for non-compliance be applied to government agencies to move the process beyond a paper exercise (Craig *et al*, 1999: 3). Baker, however, argues that what is required is ‘cultural change, not merely formal compliance’ (2002: 11). Such a ‘cultural change’ requires a set of new skills within the government sector to manage the partnership relationship established by the compacts approach.

Most of the skills in question are collaborative in nature. They include the ability to negotiate towards solutions that serve the interests of all parties, to resolve disputes cooperatively rather than by fiat, to share information and – thereby – empower others, to community effectively, and to understand and manage the risks inherent in situations in which one cannot exercise ultimate control (Langford and Edwards, 2002: 12).

Supporting these concerns, Craig *et al* (1999) suggests there are important tensions to be resolved in the compacts model, not the least of which are the parties different imperatives, their distinctive needs and lines of accountability (1999: 4). These differences can hinder the effectiveness of the partnership formed between government and non-government organisations (Baker, 2002: 9-10). This is evident in tensions created from non-government organisations exercising an independent, critical voice on government policies – effectively criticising their partners (Craig *et al*, 1999: 4). One of the significant dangers for the non-government sector embedded in the compacts approach is that it can be a ‘method not so much of empowering the non-government sector as of managing it’ (Baker, 2002: 12). The community and voluntary sector in the UK have identified a risk of ‘mission drift’ with partnership goals implicitly redefining organisational goals (Baker, 2002: 12). For grants administrators the compacts approach entails real tensions in their role as both funder and partner, with the partnership providing tempting opportunities for the extension of bureaucratic control. The compacts model can become

dominated by funding and service delivery issues with other aspects of the relationship taking a back seat. This can create an imbalance of power, with ... funders in the driving seat (Craig *et al*, 1999: 2).

### **The capacity-building approach**

The third approach to government/non-government relations is what we have titled the 'capacity-building model'. This approach is premised on the recognition by government of the importance of a vibrant non-government sector in solving social problems. This approach has been exemplified by developments in Canada and New South Wales. It represents a two-sector partnership model, although there appears to be a clear notion of the community benefit inherent in the model. This is evident in the focus on building voluntary capacity and social capital outcomes of non-government organisations. In New South Wales the significant contributions of non-government organisations are recognised as adding value to the community by

Using their expertise to inform and implement government policy

Promoting equity, social inclusion and alleviating the effects of poverty and other disadvantage

Supporting and empowering service users, volunteers and active communities

Building bridges between the public sector and communities

Providing high quality services that are complementary or additional to public services

Identifying new needs and better ways of meeting existing needs. This includes identifying changing and emerging needs of individuals, groups and communities.

(NSW Premier's Department, 2002: 2)

Within a capacity-building model the government adopts a developmental or empowering approach to its relationship with non-government organisations. It seeks to work in collaboration with non-government organisations to identify the barriers to their effectiveness, not only in terms of delivering government services but also their broader social capital potential. Some of the initiatives aimed at addressing these barriers by the Canadian government include:

- Training and resources in human resource management, including volunteers
- Improving IT skills and resources
- Facilitation of networking opportunities and the sharing of resources
- Resources aimed at strengthening the management capacity of voluntary groups, and
- Initiatives aimed at supporting volunteers.

The capacity-building model also often involves a review of the administration of government grants. Consultations undertaken with non-government organisations on behalf of the NSW government found that most suggestions related to operation of Government grant schemes (NSW Premier's Department, 2001: 1). Following these consultations the NSW government moved away from a compacts model to a more tailored capacity-building model.

It appears likely that the community will benefit most if we focus on the specific improvements that would make a tangible difference to the functional relationships between government and NGOs (NSW Premier's Department, 2001:1).

The recognition of non-government organisations is an important strength of the capacity-building model. In Australia there are over 100000 organisations in the community welfare sector, all managed voluntarily by citizens with social concerns and participating in civil society (Bell, 1996: 44). The Industry Commission (1994 :5) noted the diversity of the sector's activities, including providing care, accommodation, support and counselling or training to children, families, people with disability, older people, the unemployed, those suffering addictions, the homeless, refugees and members of ethnic communities. In addition to the social importance of the non-government sector, there is growing awareness of its economic importance. The non-profit sector expenditure is four times as large as all local government current expenditure across Australia and employs more people than the communications and hospitality industries combined (Lyons & Hocking, 2000: i). Without even considering the issue of public funds, the non-government sector demands greater attention from government. In this way the capacity-building model could be viewed as an industry development framework.

The other key strength of the capacity-building model is that it seeks to harness the enthusiasm of the vast number of people who volunteer for non-government organisations. In 1995 it was estimated that 775 200 people volunteered hours worth over \$2 billion dollars to community welfare organisations (Lyons and Hosking, 2000: 93). However, a study of volunteering in Community Legal Centres (CLCs) undertaken by the University of Wollongong found the changing relations between government and CLCs is putting stress on the willingness of people to volunteer (Melville, 2002: 44-54). Many respondents expressed concern about what they saw as greater government intrusion into the operations of CLCs

"[The] centre needs to remain an autonomous centre run on CLC principles in order to maintain its integrity and quality of its services" (Melville, 2002: 49)

The study recommended that governments take a more active role in empowering volunteers to participate, not only in terms of hours but also in terms of policy-making (2002: 58). The capacity-building model perhaps provides the best way in which governments can work to value and support volunteers.

Government taking an empowering/developmental perspective to its relationship with non-government organisations also provides an opportunity for honest dialogue about service provision issues. There is recognition among non-government organisations that improving client outcomes, providing greater flexibility in services and

improving the efficiency of services are all legitimate goals for community services reform (ACOSS, 1999: 30). The non-government sector is well aware of the shortcomings in service provision, not all of which is simply a matter of increased funding.

The proliferation of programs and services in the human services area is increasingly being recognised as a problem in itself (ACOSS, 1999: 31)

The capacity-building model provides an opportunity to move beyond the adversarial relationship inherent in the funder/funded relationship. Increasing use of competition policy has pitted government and non-government organisations against each other in unproductive ways (Langford and Edwards, 2002: 9). International experiences seems to suggest that purchaser/provider split is having, in some ways unexpected, adverse impacts on solving community problems. Countries such as the UK, New Zealand and Canada have re-evaluated the impact of extensive use of competitive tendering, tighter contracts, output or outcome measures and performance indicators that heralded a significant change in government and non-government relations (ACOSS, 1999: 34). In Canada in particular this involves considerable focus on enhancing the capacity of non-government organisation.

They are now engaging in developing new and better ways of progressing beneficial reforms – ones based on a more genuine and respectful partnership between government and the community sector (ACOSS 1999:34).

Some of the limitations of the capacity-building approach appear to be political in nature. Adopting a capacity-building model requires a long-term commitment. As is evident in other industry development initiatives (for example telecommunications reform or dairy industry reform) capacity-building can be a very slow process. Governments often have difficulties in working towards a long-term vision in the social policy arena due to a focus on the electoral cycle. Adoption of a capacity-building approach would require resources being allocated to create benefits, which that particular government may not receive the credit. In addition, this approach does not directly focus on solving social problems. Governments and the electorate often want to know ‘something is being done’, that the issue is being ‘tackled head on’. In this way, investing in the long-term health of communities via investing in the health of community organisations may appear to conflict with the need for short term solutions.

Another limitation relates to the diverse nature of the non-government sector. Each and every non-government organisation has different capacity-building needs. The HACC Standards implementation and Quality Management Systems processes in health have highlighted the diversity of needs within the sector and the extensive time and resources required. As a result many capacity-building approaches have taken a minimalist approach, such as the provision of information technology infrastructure (see for example Canadian Voluntary Sector Task Force, 2000). This approach means that for many organisations the capacity-building approach has little or nothing to offer. It is also very difficult for government to know whether the training they provide to volunteers or the improved computer infrastructure offered to non-government organisations contribute to their ultimate goals.



The capacity-building approach also requires a great deal of trust between government and non-government organisations. In some situations competitive processes have fundamentally damaged this trust (ACROD *et al*, 2002: 12). The tension between funder/monitor and partner/resourcer is very real in many situations. Regardless of the goodwill shown by governments in adopting a capacity-building approach a history of suspicion and cynicism may persist. This cynicism is heightened by the lack of consistency across government agencies in their approach to the partnership.

There are significant differences in the commitment, understanding and implementation of partnership approaches between and within government agencies (Baker, 2002; Laughler, 2002). Undoubtedly, grants administrators with day to day dealings with non-government organisations would be aware of situations when public funds have not been used efficiently. Drawing on these experiences and other criticisms of the non-government welfare sector, grants administrators may be sceptical about the benefits of adopting a capacity-building approach. They may adopt a highly critical perspective about the ‘governance deficit’ of non-government organisations (McDonald, 1999) and question the likely success of a capacity-building approach. Adopting a capacity-building approach calls on a range of skills – collaboration, information sharing, consensus decision making, joint risks – that ‘have traditionally been in short supply in the public sector’ (Langford and Edwards, 2002: 12).

### **2.3 Contracting or purchaser/provider models**

In Australia a fourth model, that of contracting or a purchaser/provider split, is the dominant one at the present time. The reshaping of funding to mark a clearer separation between government and provider has seen the relationship between government and non-government organisations reinterpreted as one between ‘purchaser’ and ‘provider’, contracting with one another in terms likened to those of buyers and sellers in a market. In turn, the contractual ‘service agreements’ defining responsibilities for managing, producing and delivering human services have come to be specified in the language of the new public management (Osborne and Gaebler, 1993), with its focus on measured performance in terms of ‘outputs’ and ‘outcomes’. Spanning periods of national government under both major parties and with National Competition Policy a key driver, reform in service delivery was for a time a key agenda of the Council of Australian Governments (COAG) (Rogan, 1996; ACOSS and the State & Territory Councils of Social Service, 1999). Australian governments have nevertheless pursued these changes to different degrees and at different rates.

Significant public policy issues attach to such profound change. Among these are new and deeper cleavages between policy formulation and policy implementation (Chalmers and Davis, 2001), with pressures of competition among providers an added problem for consistency, stability and co-ordination of policy implementation. The advent of competition in human services and contractual funding arrangements for service delivery are prompting the development of new forms of government regulation of the environments in which human services operate. These developments have legal and professional as well as economic and bureaucratic contexts. For non-government organisations, the changes in the organisation and funding of services open new tensions between their roles as service providers and as community representatives and advocates for the interests of the people who use their services and often also for wider constituencies in the community at large. These tensions are

particularly acute in the funding of peak councils and peak organisations to represent their member organisations to government and participate in policy advice and consultation. How the performance of funded organisations is to be defined, measured and monitored and the quality of services ensured is a common thread in all these issues.

Lyons (2001: 183-90) has identified five different models or forms of funding relation in the way governments provide financial support to non-profit organisations. In the model of government as philanthropist, funds are provided on the basis of preparedness to support the initiatives of the organisation. In the submission model, government funding is more closely tied to the support of particular activities or programs but the organization retains significant autonomy in how and where it is used. The planning model sees government playing a greater role in determining the content and distribution of services, and increasingly also in standardising the funding available for specified outputs. Financial reporting and data collection have become more important as this model has become widespread, and Lyons notes the emergence of accountability as a site of contradiction between the bureaucratic cultures of funding departments and the expectations of autonomy held by some non-government providers. The planning model posits government and third-sector providers as working in partnership, and the development of outcome and performance standards has open been undertaken in consultation with providers, peak bodies and consumer groups. One consequence of the close relationship underpinning the planning model, as Lyons sees it, was that non-government organisations failed to develop a strong sense of organisational autonomy and accountability of their own, going beyond the limited notion of reporting to government.

Driven by pressures of change in government administration, the planning model has been succeeded by two others, developing in parallel. The quasi-voucher model funds providers with a predetermined amount according to the characteristics of their clients, enabling them to treat at least some clients as having a voucher-type entitlement to services. This model developed in areas such as child-care and nursing home care, where there were both for-profit and non-profit providers. It represented a move to create conventional markets for certain types of service, and to empower designated groups of clients to exercise choice within those markets.

It is, however, the competitive tender model that has grown most rapidly in the last decade, and which has brought issues about accountability and reporting requirements into sharpest relief. The competitive tender model conceives of non-government organisations (and some for-profit ones) as suppliers competing with one another for contracts to provide services to the government's citizen customers. These contracts are generally awarded on the basis of competitive tender, and specify the services to be provided, the price to be paid for them, and other accountability requirements. Strong versions of the competitive tender model operate on the assumption that competition will again be open to alternative suppliers when the time comes for the contract to be renewed. Lyons notes that accountability practices developed for other models have often been carried over into the competitive tender model, with inappropriate and burdensome reporting requirements among them.

Lyons sees these as largely replacing one another over time, with vestiges of earlier models continuing to operate in parallel with later ones. The last three reflect the influence of new public management ideas about the separation of policy-making

from day-to-day operations of service provision and the division between purchase and provision of community services.

Issues of accountability and reporting have taken on new prominence with the advent of these models. While earlier models related funding to inputs such as staff time, the new models entail the management of performance on the basis of measured outputs and preferably of outcomes (Melville 1998: 42). This has brought to the fore very difficult questions about how the objectives and expectations of policy are to be defined and measured, how performance data are to be collected and the privacy of individuals, employees and organisations safeguarded, and how recognised values and goals not easily subject to measurement are to retain respect and effectiveness. Broader notions of accountability raise still more complex issues, especially for organisations in the 'third sector', i.e. non-government organisations providing community services on a not-for-profit basis. These organisations may feel themselves accountable not only to government and the contractual responsibilities attached to funding agreements but also the organisation's own members and perhaps also to a wider public at large (Lyons 2001: 228). McDonald (1999: 12) notes that service providers are accountable to diverse constituents, including members, consumers, donors and regulatory authorities, as well as to the bodies that fund them. Each of these groups may have its own view about the over-riding purpose of the organisation. Moreover, the provision of services may be only one of numerous roles that together make up the mission of the organisation. It is common for non-government organisers to have several funders, and to have funding from a variety of sources, each of them attached to specific activities. The practice of governments in providing funding as a 'contribution', and so not covering the full costs of the activity concerned, makes these tensions still more difficult.

Accountability and reporting requirements have been discussed in the reports of inquiries conducted by a number of public bodies in recent years. In 1995 the Industry Commission investigated and reported on Charitable Organisations in Australia. Among the subject matter of its wide brief were the relative roles and responsibilities of the government and non-government organisations and the role of charitable organisations in the provision of goods and services on behalf of governments. Its report strongly endorsed a division of labour in which governments are responsible for setting welfare priorities and independent, non-government organisations for the delivery of services. It strongly endorsed funding principles based on open advertisement of specified requirements and, in the normal case, open competitive tendering on the basis of price-competitive or fixed-price selection. The Commission's Report recommended that Commonwealth and State/Territory governments develop a consistent set of principles for funding agreements in which agreements were for multi-year (typically three-year) periods, were legally enforceable, and contained streamlined accountability provisions consistent with Australian Accounting Standards and built-in dispute resolution procedures. The report made further recommendations with respect to quality assurance, accounting standards, performance benchmarking and management and training which are discussed below.

Returning to its larger theme, the Industry Commission Report preferred the concept of 'co-responsibility' to the sector's ideal of 'partnership' as a way of describing improved working relationships between government and the non-government sector.

The Report saw intrinsically valuable complementarities between government as funder, regulator and guarantor of access and equity, and community sector bodies as bringing community good will, professional skills, and recognised advantages in service delivery including the cost-savings associated with the contribution of volunteers. It saw the concept of co-responsibility, better than partnership, as acknowledging the diversity of community organisations in size, budget and bargaining power with government. It recommended mechanisms for high-quality consultation at the levels of the delivery of specific services, program development and review, and social policy.

Rogan (1996: 138-41) argues that the vision expressed in the Industry Commission Report fundamentally misunderstands the nature and history of the non-government sector. She sees the recommended funding arrangements as reflecting a view of community organisations as agents of government, failing to recognise the role of the same organisations in advocacy, policy development and the pioneering of the services themselves. She is also critical of its treating issues in social service delivery out of their context in political processes of resource allocation and industry planning.

Some three years after the Industry Commission Report, the House of Representatives Standing Committee on Family and Community Affairs (1998) issued a report, titled *What Price Competition?*, on the competitive tendering of welfare services. The Committee noted that contracting out of service delivery had become widespread in Australia. Citing a lack of detailed knowledge about the scope and level of contracting welfare services, the role of government in setting standards and monitoring performance, and the role of government in measuring the effectiveness and efficiency of new service delivery arrangements, it called for a halt in further contracting out of welfare services until a suitable framework could be developed to assess the appropriate limits of contestability in each area of service delivery. It found a diversity of evidence on the impacts of contracting out and competitive tendering on accountability, service quality, and impacts on the non-government sector, and a lack of hard evidence on the costs of service provision. The role of volunteers, and the impact of contracting and competitive tendering on small organizations and organisations and rural and regional areas were areas of particular concern.

The Committee found that there was increased recognition of the importance of performance monitoring in improving the range and quality of services. It considered that there had been significant improvements in the quality assurance mechanisms in operation at all levels of government with respect to contract compliance and provider and client satisfaction with the services being delivered. It believed, however, that limitations remained in a number of aspects; the particularities of these are noted below. It concluded that government, in partnership with other relevant stakeholders, had work to do in the areas of developing robust service agreements, efficient and fair tender processes, and effective ongoing management of service agreements.

In October, 2000 the Parliament's Joint Committee of Public Accounts and Audit issued a report on *Contract Management in the Australian Public Service*. Concerned with the quality of contract accountability and administration across the range of government activities and contracting, the Joint Committee focused on the issues of contracting fundamentals, the needs of Commonwealth personnel responsible for managing contracts, and the accountability framework for contracted functions and services. Its report noted claims that contracting out may enhance the accountability

of government by requiring it to define its objectives and the way they are to be managed, but also that these claims hold only if this information is in the public domain (Joint Committee 2000: 23-4). Performance monitoring has a key role in ensuring such accountability, since it both ensures that agreed outcomes are achieved and provides a framework for feedback and improvement. The report discussed a number of issues, including the appropriateness of performance measures, under- and over-specification of service requirements, frequency of reporting, consultation with contracting parties, the inclusion of stakeholders in qualitative assessments, and the resolution of disputes. Its comments on these will be included in the appropriate sections below. The Joint Committee's most notable recommendation for the purposes of present discussion is for the *Ombudsman Act 1976* to be extended to apply to all government contractors.

Non-government organisations providing services have by now had substantial experience of funding by contract and/or tender, and the peak bodies representing them have gained sophistication in discussion of the accountability and reporting requirements associated with it. While sector views continue to focus mainly on the broad concerns of third sector autonomy, diversity, and integrity, there is increasing recognition of the separation of purchaser and provider, funding agreements specified in terms of outputs and/or outcomes, and contractually defined performance monitoring as settled realities in relationships between government and non-government sectors. The late 1990s saw peak bodies preparing handbooks and guidelines on tendering and contracting for their members (ACWA, 1998). These documents found benefits as well as constraints for the organisation and its clients in appropriate systems for monitoring, reviewing and measuring performance in service delivery.

Strongly felt concerns nevertheless continue to be held in the sector. *Common Cause*, prepared by the Australian Council of Social Service (ACOSS) and the State and Territory Councils of Social Service (1999), puts a collective sector view of shortcomings in service delivery reform and the shared vision it has for a constructive partnership with government. At the centre of these shortcomings is the narrowing of the role of non-government organisations to that of 'provider', denying their legitimacy as bodies with broader roles to identify needs and reflect the views of disadvantaged groups and the wider community more generally. The sector sees governments as applying market concepts and models opportunistically and inconsistently, drawing on earlier models when it suits and funding only a 'contribution' to the costs of activities while imposing excessive demands for accountability. There is a strongly felt view that the drive for reform in community services has given too little recognition to the negative impacts of reform on community organisations. Among the harmful impacts cited are:

- reduction in the number of small local organisations, especially in rural areas, with consequent loss of choice for consumers;
- a loss of flexibility and innovation in the sector as governments specify the nature and distribution of services;
- the loss of functions previously undertaken on the basis of generic funding but not specified in service agreements, in particular advocacy, community development and gap-filling in local service networks; and

- a loss of cooperation and collaboration between organizations in an increasingly competitive inter-organizational ethos.

The sector is critical of what it sees as a focus on means rather than ends, and the neglect of long-term considerations of organizational diversity, sustainability, and the distinctive community foundations that give non-government organisations their unique social capacities.

McClelland (2002: 86) reports at least some of these views as persisting in the present period. She sees community welfare organisations and government as more dependent on one another than in the past, with both sides feeling suspicious and frustrated. Governments suspect that community organisations represent their own interests as providers and not necessarily those of the people who use their services. Community organisations feel an imbalance of power in their relations with government, and believe that government does not recognise the values, ethos and functions that distinguish the non-government sector from government. She reports concerns also about competitive funding as weakening cooperation in the sector and of output-based funding as skewing priorities toward doubtful activities and short-term horizons.

Finally, the advent of service contracting and its enhanced focus on reporting and accountability requirements has confronted non-government organisations with difficult managerial challenges. Lyons (2001: 24) notes that the services that third sector organisations provide are intrinsically difficult to evaluate because they are not amenable to one-dimensional yardsticks such as price or consumer satisfaction. For some of the same reasons, it is also very difficult for the managers and/or boards of these organisations to monitor and evaluate organisational performance. A study by McDonald (1999) found the capacity of non-profit bodies to assess their own performance constrained by deficits in management knowledge and skills, haphazard management, organisational resistance, and poor quality management data including financial reporting. The data on which McDonald draws were collected in 1994. Her findings give useful insight into the social environment in which output-based funding became established, but much has changed in the period since. McDonald suggests that a number of trends are likely to have lead non-government organizations to improve internal systems of management and control. Among those she cites are greater recognition of the obligations and liabilities attached to membership on managerial boards; moves to develop standardised accounting practices for the sector; the development of quality assurance and accreditation systems; and, perhaps most importantly, the introduction of organisational performance monitoring, evaluation and review processes that have accompanied the extension of contractual, output-based funding models.

McClelland (2002: 90) argues that there is inadequate understanding about the appropriateness and effectiveness of different approaches to service delivery, and that this lack of knowledge has been one reason for problems in service agreements and funding arrangements. She believes there is a need for research on the long-term effectiveness of different types of intervention in order to identify the kinds of outputs to be identified in performance-based funding agreements. Community organisations themselves need to develop more sophisticated understanding of how the effectiveness of their services may be measured, and of those measures most appropriate to their organisational values and purposes.

## **2.4 Department of Family and Community Services reform of relations with non-government organisations**

Not surprisingly, the Department's management of relations with non-government relations have been influenced by the reform of government administration and many of the debates highlighted in the literature. At a macro-level, the Department is seeking simplification of arrangements, improved integration of service responses and greater tailoring of services to client needs. The nature of the relationship with specific providers is driven by the desired outcome and may include contracting, formal agreements (such as memorandums of understandings), social coalitions and capacity-building approaches.

FaCS has a range of relationships or 'systems of service delivery' with service providers that contribute to developing and delivering government programs and services. FaCS understands FaCS has 15,000+ unique relationships and often wears different 'hats' for different purposes. The type of relationship with any one organisation at any given time depends on what the situation requires and what is the most appropriate way to achieve the desired outcome ... these relationships should be dynamic and may change as they develop and evolve and/or as the environment changes. (McCormick, 2003)

The FaCS Priorities Plan 2002-2003 identifies Implementation and Service Delivery Policy as a significant policy priority. It indicates:

In the next twelve months, we [the Department] need to develop more effective relationships with the wide range of service providers ... [including] the almost 15 000 non-government service delivery organisations funded by FaCS such as childcare, disability employment assistance and emergency relief service providers (FaCS, 2002 :8)

In addressing this priority FaCS will:

- focus on its role in service delivery, be clear about when to intervene, ensure quality control across the service delivery network, and know that the level of assurance is right;
- have clear lines of accountability between senior management, program managers and service providers;
- improve the collection, sharing and use of data for service delivery across the department;
- develop a better understanding of how service delivery can affect implementation of policy, and
- strengthen project implementation and governance (FaCS, 2002 :8).

The reform process, however, has not evolved uniformly across the Department. This has resulted in considerable differences in the funding and operating environment of non-government organisations between FaCS programs. For this reason, in the questionnaire and throughout this report we refer to 'changed funding environment' to

encompass the various changes being implemented. This context is important when considering the findings from the questionnaire.

The disability employment area has experienced a broad range of reforms since 1996. This has included the adoption of a case-based funding model, accompanied by an increase in administration of the assessment and processing of client assistance. The Department has experienced difficulties in providing the information technology support to providers that would have eased the transition. Accreditation and quality assurance measures have also been introduced to the sector with consultation and a lengthy time frame, however, there remains considerable concern about the ability to meet the December, 2004 deadline. The reforms will also see the adoption of award wages for supported employment services in the short-to-medium term.

Youth services (YAS, Reconnect and JPET) are also undergoing ongoing reform. The Department, in consultation with the youth sector, is developing a new business model adopting a risk management framework. One of the most important reforms will be a streamlined agreement or common funding agreement for providers of these youth services. This will enable the Department and service providers greater flexibility in responding to community needs, breaking down artificial program silos. The Department's reporting requirements reflect a co-operative investment in the programs, based on self-evaluation reports, action research and quality improvement strategies. YAS and Reconnect providers have access to and participate in the development of Good Practice Principles and Action Research Forums. Due to difficulties with the process, the JPET tendering process for 2002-2003 was redone.

Childcare services form the bulk of FaCS programs, approximately 70 per cent. The program includes a range of specific sub-programs such as long day care, out of school hours care and family day care. The Department has long established, positive, relations with the childcare sector. The relationship between the Department and the childcare sector was radically changed in 2000 with the introduction of Child Care Benefit administered via the Family Assistance Office (Centrelink). Since that time the bulk of funding for organisations is provided via FAO based on utilisation. FaCS continues to provide broadband funding to assist meet operational costs of Centres but this is often only a small portion of organisational budgets. Performance and quality monitoring for childcare services is via accreditation and quality assurance measures that are administered via the National Childcare Accreditation Council or State and Territories agencies.

The Stronger Families and Communities Initiative was introduced by in 2001 and as such is one of the newest Department programs. The Initiative focuses on building the social capital and capacity of vulnerable communities and families. Small grass roots initiatives with little or no organisational structure are funded under the program together with some organisations that seek the funds to supplement existing services. The programs can be short term (1 day) to longer term (maximum 3 years). The projects have a high staff turn over due to the low level of organisational infrastructure and the pre-existing vulnerability of the communities. The reporting requirements combine quantitative (program wide performance indicators) and qualitative (self evaluation reports and questionnaires). Measuring effectiveness of projects, however, is very complex due to the program goals and participating communities. The Department recognises the difficulties facing grant recipients and is



seeking to address these problems through the provision of research and quality improvement support provided to the projects by independent agencies.

The Emergency Relief program was established in 1977 by the Commonwealth to assist charities support needy members of the community. The existing 900 providers are not required to enter into contracts or funding agreements but receive a letter of offer with specified conditions of grant. Emergency Relief providers rely heavily on volunteers and are able to use only 15 per cent or \$5000 (which ever is the higher) of grant funds to meet administrative costs. They are required to acquit funds on an annual basis. At the time of the questionnaire they were not required to provide other forms of reports, although some organisations maintain their own statistical client data. Due to the nature of the Emergency Relief providers and the program reform of relations have been slower than in some other programs.

The Family Relationships Services program is also a more traditional Commonwealth program having operated since the 1960s. Over recent years there has been no substantial change to the management of the program by the Department although there is currently a review being undertaken into program coverage that may see some changes in the next funding period. Performance and client data reporting is computerised and during the study period there has been problems with the software. Growth in the program has occurred through new initiatives, however, core funding has not increased for many years.

## **2.5 Summary**

This section described the changing nature of government/non-government relations. Within Australian and internationally there are a number of models or approaches to shaping relations between government and non-government organisations. The remainder of the report focuses on the dominant model shaping government/non-government relations: that of contracting. In particular it focuses on the impact of contractual reporting and accountability requirements. Reporting and accountability requirements are important for the government, contracted organisations, consumers and the community more broadly.

Governments seek to ensure equity of access to social welfare services and adequacy of service quality. They have increasingly delegated responsibility for actual service delivery or the creation of new social welfare services to CSWOs [Community Social Welfare Organisations]. Where this occurs, governments have the concomitant obligation to finance and support those organisations. In return, governments have the right and responsibility to require strict accountability for the outlay of community resources (Industry Commission, 1995: xx).

How to balance accountability in a way that allows for flexibility of action is the ongoing challenge of public policy in Australia (McClelland, 2002: 93). The study sought to explore the implications of performance monitoring, reporting and accountability requirements for program integrity, for the integration of services in the light of the needs of individual clients (avoiding 'silo' effects), and for sector integration as reflected in co-operation between and among providers.

This study's orienting question is, *how do the performance, reporting and accountability requirements associated with government funding arrangements impact on non-government organisation (NGO) provision of services and policy advice?* Its focus is on issues, problems and points of view arising at the level of implementation and in the course of organisations and government work together.

A complete copy of the literature review on reporting and accountability issues undertaken by Sheila Shaver is available from SPRC.

### **3 Survey of Contracted<sup>1</sup> Organisations**

#### **3.1 Key research questions**

The study explored a number of research questions, drawing on the literature. These were:

- What type of reporting requirements do various organisations have and what impact have these had on the organisations?
- Is the administration of the contracts by FaCS effective and efficient?
- How do funded services feel about the reporting and accountability requirements of FaCS contracts?
- What broader effects have the changed reporting and accountability requirements had on the community services sector?
- What type of future reforms do respondents support?

Respondents were provided the opportunity to raise any other issues of concern on the questionnaire (Question 25). Not surprisingly, most of those who took this opportunity were experiencing some form of difficulty with the reporting requirements. Quotes from Question 25 appear throughout the Report, however, should be read in conjunction with the overall findings as they represent, in some cases, a minority opinion.

#### **3.2 Methodology**

Drawing on the review of literature, a self-administered mail questionnaire was developed. A mail questionnaire was chosen in the hope that it would enable participation by as many contracted organisations as possible. The inherent limitation of this approach is the inability to clarify and follow up information with respondents. It does, however, provide the opportunity to document the experiences of a significant number of very diverse organisations.

#### **Sample selection**

FaCS identified an initial random sample of 1867 organisations receiving funding from the Department for a range of services from their ‘vendor database’. A number of these were inappropriate for the questionnaire and were excluded. A sample of approximately 1800 was chosen to ensure adequate coverage of a range of variables (such as size, location, program, etc.) in the study. These contracted organisations included a range of service types, including not for profit, for profit and local government. SPRC did not receive any identifying information about the organisations included in the random sample, as we were concerned some organisation may feel their response would be linked in some way with their funding. In order to protect the privacy of the responding organisations the mail out was co-ordinated by the FaCS office in Canberra.

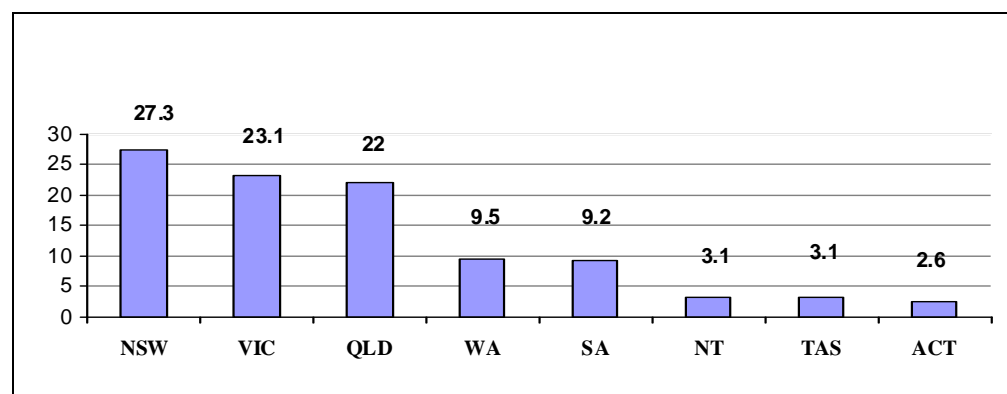
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<sup>1</sup> To avoid confusion respondents will be referred to as ‘contracted organisations’. In many cases they may be a program within a larger organizational structure. The sample includes both not-for-profit and for-profit organizations. Where appropriate these descriptors will be used to distinguish between these types of agencies.

The first mail out of the questionnaire and accompanying letter was sent to services in November 2002. A reminder card was sent in December and a further follow-up letter with an extension of the deadline in early January 2003. In addition, a flyer providing information about the survey was distributed at the ACOSS Congress in Hobart in early December, 2002. Completion of the survey was also promoted through a number of industry-based websites, including websites of childcare peak organisations, disability peak organisations and local government. Articles were written for the Family and Community Services newsletter, the Social Policy Research Centre newsletter and the ACOSS Newsletter.

Figure 1 indicates that the random sample included a wide spread of organisations across the country.

**Figure 1: Random sample of a service by State**



The questionnaire used generic descriptions of FaCS programs and many include specific program initiatives within the broader service area. Respondents providing childcare services, for example, included those provided family day care, long day care and out of school hours.

As Table 1 shows, childcare providers dominated the random sample, reflecting the significance of that program in the Department's overall business. Only 21 per cent of those providing childcare services, however, responded which was the lowest response rate across all program types. As Section 6 reveals, the vast majority of respondent organisations that provide childcare services had few difficulties with current reporting requirements, which may explain the low response rate. Response rates for all other programs were quite good providing a solid basis for discussion of the issues facing these organisations.

**Table 1: Random sample by FaCS program**

FaCS program*	Random Sample		Respondents	
	Frequency	Per cent	Frequency	Response rate (per cent)
Stronger Families and Communities initiative	38	2	36	95
Emergency Relief Program	181	10	64	35
JPET Program	3	0.2	42	1400
Green Corps	0	0	0	0
Youth Activities Services program (YAS)	35	2	21	60
Reconnect	14	.8	13	93
Employment Services for People with a Disability	232	12	107	46
Child Care Programs	1323	70	274	21
Family Relationships Service Programs	18	1	26	144
Other	37	2.0	40	108
Total	1881	100	623	33

\*Information about these programs is provided in Appendix A.  
#Responses in relation to 'Main program' funding.

As is clear from Table 1, there appear to be discrepancies between the Department's vendor database and respondent organisations perceptions. Accordingly to the vendor database only 3 organisations providing JPET services were included in the random sample however 42 responding organisation have indicated JPET is their 'main funding program' from the Department. This discrepancy is likely to arise in large organisations providing services under a range of programs. Given the evident disparities between the information held in the Department's database and respondents perceptions, caution should be exercised in relation to response rates by program. Table 1 suggests, however, that the majority of programs responded well to the questionnaire, apart from childcare providers.

Calculating an overall response rate is complicated by the accuracy of the information held by the Department. Approximately 50 organisations contacted SPRC indicating they did not feel the survey was relevant to their organisation or that they had never received government funding. A number of letters (50) were also returned to SPRC unopened due to insufficient information or the wrong address. The arrangements put in place to ensure privacy made follow-up of these issues difficult. In some situations the one organisation received more than one survey as they had more than one contract with the Department. In these circumstances most only completed one survey. For these reasons, we believe the actual size of the sample is likely to be closer to 1700, resulting in an overall response rate of 37 per cent.

Table 2 indicates that respondent organisations providing childcare services are particularly under-represented in the research. Emergency Relief and YAS programs are appropriately represented whilst all over programs are somewhat over-represented.

**Table 2: Comparison between respondent organisations and FaCS overall funding program**

FaCS program	Percentage of FaCS program	Percentage of respondents
Stronger Families and Communities initiative	2	8
Emergency Relief Program	10	10
JPET Program	0.2	7
Green Corps	0	0
YAS	2	3
Reconnect	0.7	2
Employment Services for People with a Disability	12	17
Child care programs	70	44
Family Relationships Services Programs	1	4
Other	2.0	6
Total	100	100

The overall response rate of 33 to 37 per cent is adequate for a self-administered mail questionnaire. It does, however, raise questions about any bias within the responding organisations. As will be clear from later sections of the report, there was a wide diversity of experiences and opinions among respondent organisations possibly reflecting the diversity of organisations that participated in the study (see section 3.3). Within the respondents there were large city based providers with thousands of volunteers, small Aboriginal youth services operating in remote settings and rural childcare organisations heavily reliant on active parent groups. The range of experiences and opinions expressed by respondent organisations suggests that the responding sample is not biased in any particular direction. If only those organisations experiencing problems chose to respond in order to voice their concerns, you would expect high levels of stress and concerns to be documented by the questionnaire. However, this is not evident with many organisations expressing either neutral or positive views about their current Departmental funding arrangements. The experiences and view expressed by these respondent organisations are not, however, fully representative of the views of all FaCS contractors or of the wider sector. The diversity of experiences and views do enable exploration of why some organisations appear to be unaffected by the changed funding environment, others adversely affected and still others positively affected by the changed funding environment.

### 3.3 Description of responding sample

The questionnaire contained a number of questions about the nature of the responding organisations and the individual who completed it. These questions were designed to enable comparison between the responding organisations, the overall sample and the broader sector. The survey data was processed and verified by an independent data processing group. The data was analysed using the SPSS Version 11.0 for Windows.

Set out below are the general findings for all respondents as well as results of cross tabulations by organisational size, location, target population, service classification

and program type. Caution should be exercised when interpreting results of cross tabulations due to the small numbers in some variables, particularly some program types and service classifications. They are presented however to indicate possible trends that may require further investigation.

Respondents were asked to indicate the ‘main’ program as well as any ‘other’ programs under which they received funds from FaCS. The questionnaire used generic terms for some programs, which included sub-groups of specific initiatives (childcare included family day care, long day care and out-of-school hours providers). Twenty seven per cent of respondents were receiving funding under more than one FaCS program.

The majority of respondents received funding under FaCS Child Care Programs (Table 3). The next largest group of organisations received funding under Employment Services for People with a Disability Program (17 per cent) (hereafter called ‘Disability Employment program’). Some 88 organisations received funding under the Emergency Relief Program.

**Table 3: FaCS funding programs**

FaCS Program	Main		Other		Total	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Stronger Families and Communities initiative	36	5.8	37	5.9	73	11.7
Emergency Relief Program	64	10.3	24	3.9	88	14.1
JPET Program	42	6.7	24	3.9	66	10.6
Green Corps	0	0	6	1.0	6	1.0
YAS	21	3.4	3	0.5	24	3.9
Reconnect	13	2.1	3	0.5	16	2.6
Disability Employment Program	107	17.2	9	1.4	116	18.6
Child Care Programs	274	44	17	2.7	291	46.7
Family Relationships Service Programs	26	4.2	9	1.4	35	13.3
Other	40	6.4	38	6.1	78	12.5
Total`	623	100	170	27.3		

Note: Percentages are of the total sample of 623 organisations

Of the 170 organisations receiving funding under more than one FaCS program, 31 per cent received funding under the childcare program. These included a combination of childcare, JPET and the Stronger Families and Communities Initiative (hereafter called 'Stronger Families') funding. In a number of the programs, including childcare, organisations were receiving more than one grant from the same funding program. Nine organisations receiving funding under the Disability Employment program were also funded through 'other' FaCS programs not specified on the questionnaire.

The questionnaire adopted the National Community Services classification system in order to enable comparisons with broader data. As Lyons (2001: 30) notes, however, 'to construct a system of classification is complex and will not always satisfy all users'. In general, information about the nature of the community sector and the people who work in community organisations is limited with attempts to overcome this commencing only in the 1990's (Lyons, 2001: xii; ABS, 1997 Catalogue No. 8696.0; ABS, 2001 Catalogue No. 8696.0). The lack of information reflects both the complexity of the sector and a lack of recognition of its contribution to our society and economy. Efforts to create a clearer picture of the sector have also been dogged by definitional difficulties with very few studies comparing 'like with like'.

Respondents from 623 organisations completed the questionnaire. Nearly half of them classified their organisations as primarily involved in childcare (Table 4). Whilst this is an over-representation compared to the broader sector - Lyons and Hocking (2000: 71) estimate that 30 per cent of all community service organisations provide childcare services - it is a relatively poor response rate from the random sample (Table 1). There were also substantial numbers of organisations that classified themselves as primarily involved in 'training and employment' (17 per cent) and 'personal and social support' (16 per cent). The high number of non-responses (10 per cent) may reflect the difficulty of large multi-purpose organisations in classifying their organisations using the options provided. Non-respondents to this question (ie. 'missing') were predominantly mainstream services with two or more contracts with government and an annual income of over \$1m.



**Table 4: Description of responding organisations**

Classification	Frequency	Percent
Personal and social support`	101	16.2
Childcare	294	47.2
Training and employment	104	16.7
Financial and material assistance	22	3.5
Residential care and accommodation support	12	1.9
Policy, service support and development	25	4.0
Missing	65	10.4
Total	623	100
Not for profit status	Frequency	Percent
Yes	556	89.2
No	61	9.8
Missing	6	1.0
Total	623	100
Gross income in the previous 12 months	Frequency	Percent
\$0-100,000	121	19.4
\$100,001-\$250,000	110	17.7
\$250,001-\$500,000	123	19.7
\$500,001-\$1m	85	13.6
\$1m-\$3m	70	11.2
\$3m +	77	12.4
Missing	37	5.9
Total	623	100
Percentage of income from FaCS	Frequency	Percent
0-25 per cent	204	32.7
26-50 per cent	91	14.6
51-75 per cent	88	14.1
76-100 per cent	115	18.5
Missing	125	20.1
Total	623	100
Percentage of income from all government sources	Frequency	Percent
0-25 per cent	84	13.5
26-50 per cent	55	8.8
51-75 per cent	91	14.6
76-100 per cent	123	19.7
Missing	270	43.3
Total	623	100
Number of contracts/agreements entered into in the previous 12 months	Frequency	Percent
None	116	18.6
One	137	22.0
2-4	226	36.3
5+	110	17.7
Missing	34	5.5
Total	623	100

**Table 4 continued**

Catchment*	Frequency	Percent
Metropolitan	304	48.8
Regional	241	38.7
Rural	276	44.3
Remote	119	19.1
Total		100*
Target population	Frequency	Percent
Aboriginal & Torres Strait Islander organisations	40	6.4
Ethno specific organisations	21	3.4
Gender specific organisations	6	1.0
Mainstream organisations	550	88.2
Missing	6	1.0
Total	623	100
Full-time staff numbers	Frequency	Percent
Nil	140	22.5
1-2	127	20.4
3-5	105	16.9
6-10	100	16.1
11-20	60	9.6
21-50	44	7.1
51-100	23	3.7
101-3000	24	3.9
Total	623	100
Part-time staff numbers	Frequency	Percent
Nil	71	11.4
1-2	119	19.1
3-5	155	24.9
6-10	120	19.3
11-20	70	11.2
21-50	45	7.2
51-100	17	2.7
101-3000	26	4.2
Total	623	100
Volunteer numbers	Frequency	Percent
Nil	191	30.7
1-10	244	39.2
11-20	92	14.8
21-50	45	7.2
51-100	17	2.7
101-200	18	2.9
201-349	5	0.8
350-4000	11	1.8
Total	623	100

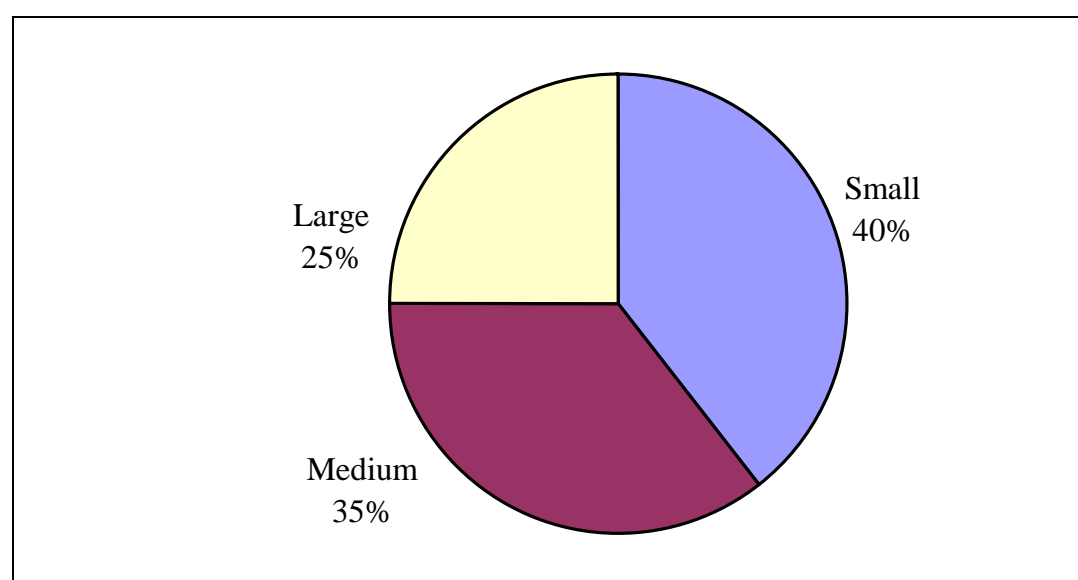
\* More than one answer possible. Percentage is of total number of respondents (623)

One of the major effects of 'opening up' the community services 'market' has been an increase in for-profit providers. Between June 1996 and June, 2000 there has been a 32 per cent increase in for profit organisations involved in community service provision (ABS 2001 Catalogue No. 8696.0). The ABS Survey found 68 per cent of non-government service providers operated on a not-for-profit basis. Among the respondents to this questionnaire, the vast majority of responding organisations were not-for-profit, although nearly 10 per cent of those who responded were profit-making enterprises (Table 4). This would suggest that the experiences of for-profit providers will be under-represented in our findings.

For-profit providers were receiving funding under all FaCS programs except Emergency Relief, YAS and Reconnect. The vast majority (80 per cent) were providing services in the childcare area. On the whole, for-profit providers were smaller than not-for-profit organisations. Only five per cent of for-profit providers had an annual income in excess of \$1m compared to 25 per cent of not-for-profit organisations.

In total there was \$12 643 million expended on community services during 1999-2000 (ABS 2000 Catalogue No. 8696.0). Table 4 indicates the gross income of responding organisations over the previous 12 months. This reveals a wide range of income levels, from less than \$100 000 to over \$3 million. Using income data the respondents were classified as 'small' (annual income less than \$250 000), medium (annual income from \$250 001-\$1m), and large (\$1m +). The sample thus provides a good basis for analysing the experiences of small, medium and large organisations.

**Figure 2: Organisational size**



Data was also collected on the source of organisational income. Nearly one third of respondents received less than 25 per cent of their total income from FaCS sources (Table 4). For these organisations FaCS funds are likely to represent a minority of their overall funding and accordingly these organisations relationship with the Department is likely to be less important. At the other extreme, 19 per cent of respondents were highly or completely reliant on FaCS funds, which is likely to render Departmental relations very important.

Government funding represented 50 per cent of the income of non-profits in the field of community services (Lyons, 2001: 182). The Industry Commission (1995: xxv) saw the community sector as even more reliant on government funding, estimating the latter as 60 per cent of the sector's recurrent expenditure. Among the questionnaire respondents, however, there is a lower level of reliance on government funding with less than 20 per cent of organisations highly or completely reliant on government funding sources in general (Table 4). User fees or childcare benefits for childcare

providers are likely to contribute significantly to the funding of many respondents (remembering that nearly half of respondents provide childcare). This is likely to shape their relationship with the Department.

For both these questions there was a high level of non-response (20 per cent and 43 per cent respectively) and thus these results should be viewed with caution. Lyons and Hocking (2000: 21) also issue caution in relation to the categorisation of incomes. It appears the non-response rates for these questions in the questionnaire were affected by two factors, reluctance and/or lack of knowledge. Non-government organisations have historically been reluctant to reveal ‘too much’ about their financial situations to governments. This reluctance appears to have particularly affected responses to the ‘all government sources’ question. Supporting this contention a large number of those who did not respond had been employed in their current jobs over 10 years and would be unlikely not to know the organisations source of income. Stress levels also appear to have affected responses to this question. Those organisations currently ‘very stressed’ (see below) were more likely to not answer these questions. For-profit organisations also appear reluctant to reveal financial information, possibly considering this ‘commercial-in-confidence’ information. For others it would appear a lack of knowledge of overall organisations budgets has affected their non-response. Many local government child care providers have not answered the ‘all government sources’ question, suggesting that calculating this percentage was a difficult task. Smaller organisations (less than \$250 000 annual income) also appeared unsure about the proportion of income obtained from FaCS or all government sources.

Over half of the respondents (54 per cent) had entered into two or more contracts or agreements with government agencies over the past 12 months (Table 4). A considerable number of respondent organisations (18 per cent) had signed five or more contracts or agreements. Those organisations who indicated ‘none’ (19 per cent) are likely to be on multiple year or recurrent funding agreements and had not signed a contract or agreement in the past 12 months. Additionally some of these organisations may have not received funding from FaCS in the past 12 months but remain on the vendor database.

Not surprisingly, there was a positive relationship between size and number of contracts, with the number of contracts increasing with size. Organisations classified as providing ‘personal and social support’ were the most likely to have five or more contracts (35 per cent). This was particularly the case for those funded under Reconnect (73 per cent) and YAS (55 per cent) but also to a lesser degree to those funded under Stronger Families (39 per cent) and Family Relationships Services program (hereafter called ‘Family Relationships’) (35 per cent). Over two thirds of those organisations classified as providing ‘financial and material support’ (67 per cent) signed one or fewer agreements as did over half of the ‘child care’ providers (59 per cent). It would appear that a number of childcare providers received recurrent broadband funding for operations that did not require them to enter into yearly contracts. Previous research has identified multiple reporting requirements from different funding departments as creating considerable burden for organisations, particularly where requirements differ significantly (Barber and Eardley, 2002), which is discussed further below.

Respondents were asked to indicate the type of community to which their organisation provides services (Table 4). Over half of the respondents provided services beyond

metropolitan settings. A number of respondents gave more than one answer, including statewide or national services, those located on the urban/rural interface or fringe and those in rural communities with outreach services in remote communities. Those respondents classified as providing 'policy, service support and development' indicated they provided services in all these settings reflecting their state wide or national focus. Those providing 'financial and material assistance' were more likely to be metropolitan focused (72 per cent). Among respondents the geographic spread of organisations differed via funding programs. Reconnect and Family Relationships programs were well represented in all settings. Nearly half of all responding organisations providing services in rural settings were childcare providers (43 per cent). There was, however, an under-representation of youth programs such as JPET (24 per cent) and YAS (27 per cent) in rural settings. Organisations receiving funding under Reconnect (53 per cent), Stronger Families (36 per cent) and YAS (36 per cent) were targeted towards remote communities.

The vast majority of respondents classified themselves as 'mainstream' organisations, that is organisations not targeting a specific population group (Table 4). Forty Aboriginal or Torres Strait Islander organisations responded to the survey, comprising approximately six per cent of the sample. A smaller number of ethno-specific and gender specific organisations also responded. Over one fifth of Aboriginal organisations were providing YAS services. Those receiving funds under the Emergency Relief program were less likely to be providing services to the mainstream (72 per cent targeted non-mainstream communities). Childcare providers were much more likely to be focussed on the mainstream (50 per cent). Within the sample no ethnic specific organisations received funding under the YAS or Reconnect programs.

Within the respondent organisations, larger organisations were more likely to have a metropolitan focus than smaller organisations. Only 35 per cent of small organisations focussed their services in metropolitan communities, compared to 56 per cent of medium and 62 per cent of large organisations. Aboriginal organisations were much more likely to be providing services in remote communities (55 per cent) and less likely to be providing services in metropolitan communities (20 per cent). Mainstream organisations were poorly represented in remote communities (17 per cent). Ethno-specific organisations focused both on metropolitan (62 per cent) and regional (67 per cent) communities.

The size of the non-profit sector in Australia is surprising, employing more people than the communications and hospitality industries combined (Lyons and Hocking 2000:i). Third sector organisations contributed nearly eight per cent of all jobs in Australia (Lyons and Hocking 2000:i). Reflecting the wide range of organisational incomes, respondent organisations varied in the number of staff and volunteers they had working for their organisation. Those who did not complete this question were likely to be indicating they did not employ any full time staff (23 per cent). Over half of the respondents (60 per cent) employed five or less full time staff (Table 4). Less than 10 per cent of respondents employed more than 50 full time staff. The median number of full time staff for all organisations was four.

The growth of part-time employment has been an important labour market change over the past 30 years and community services have not been unaffected by this change. Lyons & Hocking (2000: 65) estimate that 61 per cent of all staff employed in community services (including employment services) are employed on a part time

basis. The majority of organisations employed at least some part time staff (Table 4). Assuming once again missing includes ‘no part time staff’, 31 per cent of respondents employed less than two part-time staff. The median number of part time staff for all organisations, however, was five. A workforce comprising part-time staff poses greater challenges to organisations in relation to communication, including reporting requirements. Part time staff are also less likely to be in a position to contribute to ‘sharing the burden’ of reporting requirements. Within the literature organisational size is linked with reporting burden and the research provides an opportunity to explore whether small or medium sized organisations (ie. those employing few full or part time staff) have less organisational capacity to fulfil their obligations under contracts and this is discussed below.

Volunteers perform a vital role in providing community welfare services in this country (see for example Melville, 2002). Most Australians (approximately 65 per cent) belong to at least one ‘third sector’ organisation (Lyons, 2001: xi). Over two thirds of organisations (69 per cent) had less than 10 volunteers, assuming those who did not answer had no volunteers (Table 4). The median number of volunteers for all organisations was seven. Only a small minority had access to large numbers of volunteers. In general, neither for profit-organisations or local government childcare providers attracted volunteers. For some organisations it is likely that volunteers were primarily involved in management issues rather than service delivery given the important role played by voluntary management in not-for-profit organisations.

### Description of person who answered the questionnaire

The questionnaire sought information about the individual person who responded on behalf of organisations (Table 5 and Table 6). The invitations to participate requested that the person in the organisation responsible for reporting to FaCS answer the questionnaire.

**Table 5: Individual respondents**

Reporting responsibilities	Frequency	Percent
Financial	72	11.6
Performance/quality	76	12.2
Both	383	61.5
Missing	92	14.8
Total	623	100
Qualifications	Frequency*	Percent
Welfare certificate/diploma	73	11.7
Child care qualification	148	23.8
Bachelor degree	260	41.7
Management, MBA or similar	149	23.9
None of the above	97	15.6
Total		100

\*More than one answer possible. Percentage is of the total sample of 623.

**Table 6: Role and experience of individual respondents**

Position	Male		Female	
	Frequency	Percent	Frequency	Percent
Paid staff	146	23.4	398	63.9
Voluntary management	26	4.2	23	3.7
Experience	Current job		Community services sector	
	Frequency	Percent	Frequency	Percent
<12 months	64	10.3	8	1.3
1-3 years	179	28.7	50	8.0
4-9 years	224	36.0	126	20.2
10 years +	118	18.9	252	40.4
Missing	38	6.1	187	30.0
Total	623	100	623	100

The majority of respondents were responsible for both the organisation's financial and performance/quality reporting (62 per cent). This indicates that the majority of those who answered the questionnaire on behalf of organisations are likely to be at a senior management level suggesting that reporting and accountability requirements are given considerable importance by respondent organisations. It also suggests that respondents are well placed to comment on the issues explored.

The vast majority (87 per cent) of those who completed the questionnaire were paid staff (Table 6). Of these, well over half were female, reflecting the dominance of women in the community services sector. It would seem likely, however, that the 23 per cent of male respondents represent an over-representation of men in managerial positions compared to their proportion in the sector more generally. A small number of questionnaires were completed by voluntary management committee members, predominantly from organisations involved in the provision of Emergency Relief (n=21) and Childcare (n=22). Of those voluntary management members who completed the questionnaire providing Emergency Relief, the vast majority (91 per cent) reported on behalf of organisations having no full time staff. The participation of childcare voluntary management members in the study is likely to reflect the tradition of active parent committees in that sector, although most (64 per cent) were from very small organisations (less than \$100 000 income).

The ability to retain experienced staff in the sector, which is renowned for relatively low pay, has been an issue of concern for some time (Western Sydney Community Forum and Voice for SONG 2003: 3). The survey holds some good news in this regard with most respondents being not only highly qualified but also having been involved in the provision of community services for many years. Table 6 indicates that, in general, the respondents who completed the questionnaire were very experienced. Over half of respondents (55 per cent) had held their current job for more than four years. Some 252 respondents (40 per cent) had been employed in the community services sector for 10 years or more.

Further evidence supporting the experience and skills of the respondents is shown in Table 5 with only 16 per cent of respondents having none of the listed qualifications. Nearly one quarter of respondents (24 per cent) had a post-graduate qualification of some type and 42 per cent had a Bachelor Degree.

## Summary

The 623 respondent organisations were providing services in all FaCS program areas, although only a small number of responses were received from organisations providing Green Corps and Reconnect programs. This is not surprising given the small number of these programs currently operating. The larger programs, such as Childcare, Disability Employment and Emergency Relief, were well represented among respondent organisations.

One hundred and seventy respondent organisations (27 per cent) were receiving funding under more than one FaCS funding program. Ten per cent of respondents were operating on a for-profit basis. Forty per cent of respondent organisations had an annual income of less than \$250 000 per year whilst another quarter had an income in excess of \$1m per year. Over half of respondent organisations had entered into two or more contracts or agreements with government agencies over the past 12 months. Nearly one fifth had signed five or more contracts in the past year. The number of agreements entered into by organisations was strongly influenced by the type of service they provided. Those providing 'personal and social support' seem likely to mix and match funding from a range of sources whilst those providing Emergency Relief were more likely to sign only one contract with government agencies. This is likely to influence the amount of reporting required from these organisations, which will be explored in greater detail in later sections.

Over half of the respondents provided services beyond metropolitan settings, although many gave more than one response to this question suggesting large catchment areas. Ten per cent of organisations had specific population targets such as Aboriginal and Torres Strait Islander communities, non-English speaking communities or specific gender clients. The survey will provide an important opportunity to explore issues affecting Aboriginal organisations.

Less than 10 per cent of respondent organisations employed more than 50 full time staff, with the median number of full time staff for all organisations being four. Nearly one third of respondent organisations employed at least two part time staff, however, the median number of part time staff for all organisations was five. Over two thirds of respondent organisations had less than 10 volunteers, with the median number of volunteers for all contracted organisation being seven. For some organisations it is likely that volunteers were primarily involved in management issues rather than service delivery given the important role played by voluntary management in not-for-profit organisations.

The respondents are clearly a highly skilled and experienced. Forty two per cent of those individuals who completed the survey held a bachelor degree with a further 24 per cent hold a childcare qualification. Nearly one quarter held a post-graduate degree in management or similar. Fifty five per cent of those individuals who completed the survey had held their current position for more than four years. Some 40 per cent of respondents had been employed in the community services sector for more than 10 years.

Unfortunately, this research has not been immune from the difficulties created by poor existing data on the sector making any claims of 'representativeness' fraught. Little is known, for example, on the geographic spread of community service organisations or



what type of community they target. Nor is much known about the proportion of large, medium or small organisations. The response rate of 33.3 per cent to 37 per cent is adequate for a self-administered mail out. It does, however, raise questions about any bias within the responding organisations. The wide diversity of experiences and opinions documented by the questionnaire, however, mitigates concerns about bias. If only those organisations experiencing problems chose to respond in order to voice their concerns, you would expect high levels of stress and concerns to be documented by the questionnaire. However, this is not evident with many organisations expressing either neutral or positive views about their current Departmental funding arrangements, which are discussed below. Whilst we do not know how representative the responding organisations are of the sector as a whole, they do provide a good basis for exploring the effect of reporting requirements on a range of service types. The respondent organisations include a good spread of organisations providing services in rural, regional and remote locations as well as by size. Each of the FaCS program areas is included in the sample although there are some variations from the overall FaCS program.

Despite comprising nearly 50 per cent of the sample, childcare providers are under-represented from a FaCS program perspective and over-represented from a broader sector perspective. It may be that the breadth of experiences of childcare providers is not evident in the findings. Additionally, the dominance of childcare providers among respondent organisations may serve to hide the extent of difficulties being experienced within the sector as in general, childcare providers express fewer concerns than other program providers (see later). Unfortunately the experiences of respondent organisations providing Green Corps services will not be included in the research findings due to the small numbers. As is clear from Table 1 differences in perspectives affect the quality of the data. Whilst only three organisations providing JPET services were included in the random sample some 42 respondent organisations indicated JPET was their 'main' FaCS funding program and an additional 24 were providing JPET services in addition to their 'main' program (Table 1 and Table 3).

## 4 Organisational Reporting and Accountability Requirements

The House of Representatives Standing Committee (1998: xv) credited performance monitoring with meaningful improvement in both range and quality of service provision by community service organisations. Others also see contracting as a force for positive change. McDonald (1999) suggests that a number of trends are likely to have led community service organizations to improve internal systems of management and control. Among those she cites are greater recognition of the obligations and liabilities attached to membership on managerial boards; moves to develop standardised accounting practices for the sector; the development of quality assurance and accreditation systems; and, perhaps most importantly, the introduction of organisational performance monitoring, evaluation and review processes that have accompanied the extension of contractual, output-based funding models.

At the same time, however, the House of Representatives Standing Committee also reported significant limitations in the workings of performance and quality monitoring in operation at the time of its inquiry. It advocated a reporting approach that ensures the burden of reporting is appropriate to the scale of the contract (1998: xv-xvi, 27). The community sector also expresses concerns about the cost burden of reporting requirements and these are frequently cited as consuming resources that would otherwise be used in providing services to clients (Barber and Eardley, 2000).

The costs of performance monitoring, along with other core operational functions such as reporting, accounting, auditing and professional advice, are often not provided for in service agreements (Ryan, 1997: 37). The cost of reporting is particularly problematic for small community organisations and is said to be a factor in a reduction in the number of small, local organisations, with consequent effects on service delivery capacities in rural areas (O'Neill, 1997: 130; Ryan, 1997: 36; Nevile, 1999: 26-7; ACOSS, 1999: 28; Suhood, 2001: 129).

The literature suggests that not-for-profit organisations see much of the detail produced in government reporting as irrelevant to service delivery, bearing little meaningful relation to client outcomes, and incompatible with the culture of non-government organizations (Robbins, 1997: 76; Ryan, 1997: 36; O'Neill, 1997; Barber and Eardley, 2002: viii). The advent of service contracting and its enhanced focus on reporting and accountability requirements has also confronted not-for-profit organisations with difficult managerial challenges. Lyons (2001: 24) notes that the services that these organisations provide are intrinsically difficult to evaluate because they are not amenable to one-dimensional yardsticks such as price or consumer satisfaction. For some of the same reasons, it is also very difficult for the managers and/or boards of these organisations to monitor and evaluate organisational performance.

The questionnaire explored the concept of 'reporting burden' among respondent organisations. 'Reporting burden' reflected a number of interacting accountability issues: the type of reporting requirements; the frequency of reporting requirements; organisational income; maximum staff resources available; number of contracts and similarities in reporting requirements across programs. These issues were explored in relation to the number of staff days allocated to meet reporting requirements.

The questionnaire also sought information on the impact of reporting requirements on the management of services by respondent's organisations, rated 'improves', 'makes little difference' and 'hinders'. Finally, respondent organisations were asked whether the organisation had been required to make changes to their service delivery and organisational arrangements due to reporting requirements.

Set out below are the general findings for all respondents as well as results of cross tabulations by organisational size, location, target population, service classification and program type.

#### 4.1 Reporting requirements

Question 10 asked respondents to indicate what were they 'required to provide FaCS in relation to your *main* contract'. A total of forty organisations (6 per cent) did not give any response to this question although most did provide information about the time spent on reporting. This may reflect confusion about multiple funding and reporting requirements, a lack of knowledge by respondents or that respondents did not have the reporting requirements indicated.

**Table 7: Reporting requirements**

Performance reporting requirements	Frequency	Percent*
Monthly	11	1.8
Quarterly	76	12.2
Half yearly	145	23.3
Annually	134	21.5
Ad hoc	23	3.7
Financial reporting requirements		
Monthly	10	1.6
Quarterly	127	20.4
Half yearly	47	7.5
Annually	330	53.0
Ad hoc	12	1.9
Client data requirements		
Monthly	40	6.4
Quarterly	120	19.3
Half yearly	36	5.8
Annually	100	16.1
Ad hoc	71	11.4
Work plan requirements		
Monthly	2	0.3
Quarterly	13	2.1
Half yearly	12	1.9
Annually	150	24.1
Ad hoc	63	10.1
*Percentage of total sample of 623		

The data indicates that 62 per cent (389 organisations) provided some form of performance reporting to the Department. The majority did so on a half yearly or yearly basis (45 per cent). The vast majority of respondent organisations provided financial reports to the Department (526 or 84 per cent of total sample), mostly on an

annual basis (53 per cent). There was a sizeable number, however, who were required to provide quarterly financial reports (20 per cent). The Department required client data from 367 organisations (59 per cent of the total sample) (Table 7). Of these, 19 per cent of organisations did so on a quarterly basis and a further 16 per cent on an annual basis. Some 39 per cent (240) of respondent organisations were required to provide work plans to the Department, primarily on an annual basis.

Table 7 indicates that there were widely divergent reporting requirements among respondent organisations. This is likely to reflect both within and between program differences in reporting requirements. As mentioned earlier, FaCS seeks to tailor reporting requirements to individual organisational situations. It would seem likely that those organisations required to provide monthly reports are viewed by the Department as posing a greater risk or being particularly vulnerable to crisis. From the Department's perspective providers with a long history of providing quality services and achieving agreed outcomes would require a lower level of monitoring and support than a new provider with no track record with the Department. Newer programs or those 'rolled-out' over recent years are also likely to have more forms of reporting, reflecting broader shifts in public management and accountability.

From a data management perspective, however, this diversity of reporting requirements and timing among funded service providers is likely to make it problematic to collate or analyse the information collected. This diversity will hinder the ability of the Department to create a holistic picture of its activities.

**Table 8: Maximum available full-time staff resources by staff time allocated to client data reporting (per month)**

Time allocated to reporting	20-100 days per month (5 f/t staff)	120-200 days per month (6-10 f/t staff)	220-400 days per month (11-20 f/t staff)	420-1000 days per month (21-50 f/t staff)	1020 days plus per month (51+ f/t staff)
<1 day	18.1	15.0	18.3	6.8	21.3
2-3 days	25.0	20.0	18.3	38.6	14.9
4-7 days	27.2	25.0	20.0	9.1	21.3
8+ days	20.7	32.0	38.3	36.4	38.3
Missing	9.0	8.0	5.0	9.1	4.3
Total	100.0	100.0	100.0	100.0	100.0

Reporting 'burden' can be conceived of as the proportion of available staff resources allocated to meeting reporting requirements. For organisations with five full time staff, for example, the maximum full-time staff hours available are 100 days per month. For organisations with twenty full time staff, the maximum full-time staff hours available are 400 days. Table 8 shows that 18.1 per cent of contracted organisations with five or less full-time staff spent less than one day on client data reporting per month. This represents one per cent of the available staff time. By comparison, 21.3 per cent of contracted organisations with more than 51 staff spent less than one day on client data reporting per month. This represents approximately 0.10 per cent of the available staff time. Undoubtedly, contracted organisations with larger staff resources to call on proportionately smaller amounts of staff time however given the size of the organisations and the likelihood of multiple contracts and funding sources it could be anticipated that the differences between small and large

organisations would have been greater. Contracted organisations with very large numbers of full time staff (51+) in fact were the most likely (21.3 per cent) to allocate less than one day per month reporting on client data. This data suggests that the client data reporting burden is in fact very high for smaller contracted organisations, with one-fifth allocating eight per cent of available staff time. It needs to be remembered that this only one form of reporting requirements, with most contracted organisations having more than one form of reporting requirements.

**Table 9: Performance reporting by *main* program**

Program#	Monthly	Quarterly	6 monthly	Yearly	Ad hoc	Missing
Stronger Families (n=36)	2.8	27.8	41.7	13.9	5.6	8.2
Emergency Relief Program (n=64)	1.6	12.5	14.1	17.2	0	54.6
JPET Program (n=42)	0	21.4	4.8	11.9	7.1	54.8
YAS (n=21)	14.3	19	38.1	42.9	0	
Reconnect (n=13)	15.4	46.2	15.4	53.8	0	
ESPD (n=107)	0.9	4.7	77.6	24.3	0	
Child Care Programs (n=274)	1.8	12.8	7.7	18.6	5.8	53.3
Family Relationships (n=26)	11.5	7.7	30.8	38.5	0	11.5
# Percentages are of organisations funded from that program						

Table 9 suggests there is considerable diversity between the performance reporting requirements among respondent organisations and programs. It seems likely that the ‘missing’ category includes some organisations that had no performance reporting requirements as well as some organisations that failed to answer the question.

It would appear that some organisations are required to provide more than one form of performance reporting per year (those funded under the YAS, Reconnect and ESPD programs). It seems likely that these organisations provide both quarterly and yearly reports or six monthly and yearly reports on performance. Those receiving funding under the YAS and Reconnect programs have a higher level of monthly reporting than those funded under other programs. Performance reporting requirements appear to be less onerous for those funded under the Childcare, JPET and Emergency Relief programs.

Large organisations (90 per cent) were twice as likely to be required to provide performance reports than small organisations (45 per cent) (see Appendix B).

Non-mainstream organisations, particularly Aboriginal organisations, were more likely to provide performance reporting on a more frequent basis. Thirty per cent of Aboriginal organisations provided performance reporting on a monthly basis compared to 11 per cent of non-Aboriginal organisations and a further 10 per cent did so on a monthly basis compared to one per cent of non-Aboriginal organisations (see Appendix B).

Possibly reflecting the greater requirements on non-mainstream organisations, remote organisations were also more likely to be required to provide more regular performance reports (six per cent compared to one per cent for non-remote organisations provided monthly reports and 27 per cent compared to 9 per cent for non-remote organisations provided quarterly reports) (see Appendix B).

These differences may reflect perceptions among grants administrators of greater risk or greater vulnerability among the organisations, requiring additional monitoring and support.

**Table 10: Financial reporting by *main* program**

Program#	Monthly	Quarterly	6 monthly	Yearly	Ad hoc	Missing
Stronger Families (n=36)	0	30.6	27.8	33.3	2.8	5.5
Emergency Relief Program (n=64)	0	10.9	4.7	84.8	0	
JPET Program (n=42)	2.4	33.3	7.1	31.0	0	26.2
YAS (n=21)	0	14.3	19.0	81.0	0	
Reconnect (n=13)	7.7	76.9	7.7	46.2	0	
ESPD (n=107)	2.8	2.8	6.5	79.4	1.9	6.6
Child Care Programs (n=274)	1.1	29.6	2.9	43.1	2.9	20.4
Family Relationships (n=26)	0	11.5	46.2	50	0	
# Percentages are of organisations funded from that program						

Once again there was considerable diversity among respondent organisations' financial reporting requirements (Table 10). Those organisations receiving funds under the Emergency Relief and the Disability Employment programs predominantly were required to provide financial reports on a one-off, yearly basis. It would appear

organisations funded under the Reconnect program were asked for both quarterly and yearly financial reports.

Ethno-specific organisations (86 per cent) and Aboriginal organisations (75 per cent) were more likely to be required to provide annual financial reports than mainstream organisations (53 per cent), which is likely to reflect the types of programs these organisations provide. For-profit organisations were more than twice as likely than not-for-profit organisations to provide quarterly financial reports (39 per cent compared to 18 per cent). This is likely to reflect the newness of the relationship between the Department and for-profit providers.

Three-quarters of small organisations provided financial reports to the Department compared to 100 per cent of large organisations. This difference was mainly accounted for by those providing annual financial reports (67 per cent of large organisations compared to 49 per cent of small organisations) (see Appendix B).

**Table 11: Client data reporting by program**

Program#	Monthly	Quarterly	6 monthly	Yearly	Ad hoc	Missing
Stronger Families (n=36)	6.5	11.1	13.9	13.9	8.3	46.3
Emergency Relief Program (n=64)	1.6	6.3	4.7	4.7	6.3	76.4
JPET Program (n=42)	16.7	35.7	0	9.5	2.4	35.7
YAS (n=21)	28.6	28.6	19.0	14.3	0	9.5
Reconnect (n=13)	61.5	7.7	0	7.7	0	23.1
ESPD (n=107)	2.8	5.6	11.2	49.5	17.8	13.1
Child Care Programs (n=274)	3.6	32.5	3.3	9.5	10.2	40.9
Family Relationships (n=26)	30.8	7.7	7.7	7.7	11.5	34.6

#Percentages are of organisations funded from that program

As shown in Table 7, over half (59 per cent) of all respondents were required to provide client data under their contracts. Table 11 shows significant differences in requirements between programs. Sixty per cent of organisations providing services under the Reconnect program provide monthly client data, a requirement that is much greater than any other program and one which could be expected to create considerable 'burden'. Approximately a quarter of organisations providing services under the YAS (29 per cent) and Family Relationships (31 per cent) programs also

provided monthly client data. It would appear significant numbers of respondents receiving funding under the Emergency Relief, Stronger Families and Childcare programs were not required to provide client data to the Department at all. Organisations providing Emergency Relief programs will be asked to provide client numbers and reasons for assistance in 2003. Due to the nature of the projects those organisations providing Stronger Families programs in the main did not provide individualised client data. Those organisations providing childcare programs are likely to report client data or utilisation data to the Family Assistance Office rather than FaCS.

Fifty-four per cent of small organisations provided client data to the Department compared to 75 per cent of large organisations. Small organisations were, however, more likely to provide quarterly client data reports (23 per cent) than large organisations (13 per cent). This higher frequency is likely to create considerable burden for small organisations.

Over one third (39 per cent) of respondents were required to provide work plans under their contracts (Table 7). It was unusual for respondents, regardless of program, to provide work plans more regularly than on a yearly basis. Nearly one third (30 per cent) of respondent organisations funded under the Disability Employment program were required to provide 'ad hoc' work plans, which was three times the rate of any other program. This is likely to reflect the ongoing reform process in that program. As Figure 3 indicates organisations providing services under the YAS and Reconnect programs were much more likely to be required to provide yearly work plans than other programs. This is likely to reflect the more recent nature and developmental aspects of these programs.

Large organisations were more than twice as likely to be required to provide work plans than small organisations (60 per cent compared to 26 per cent).



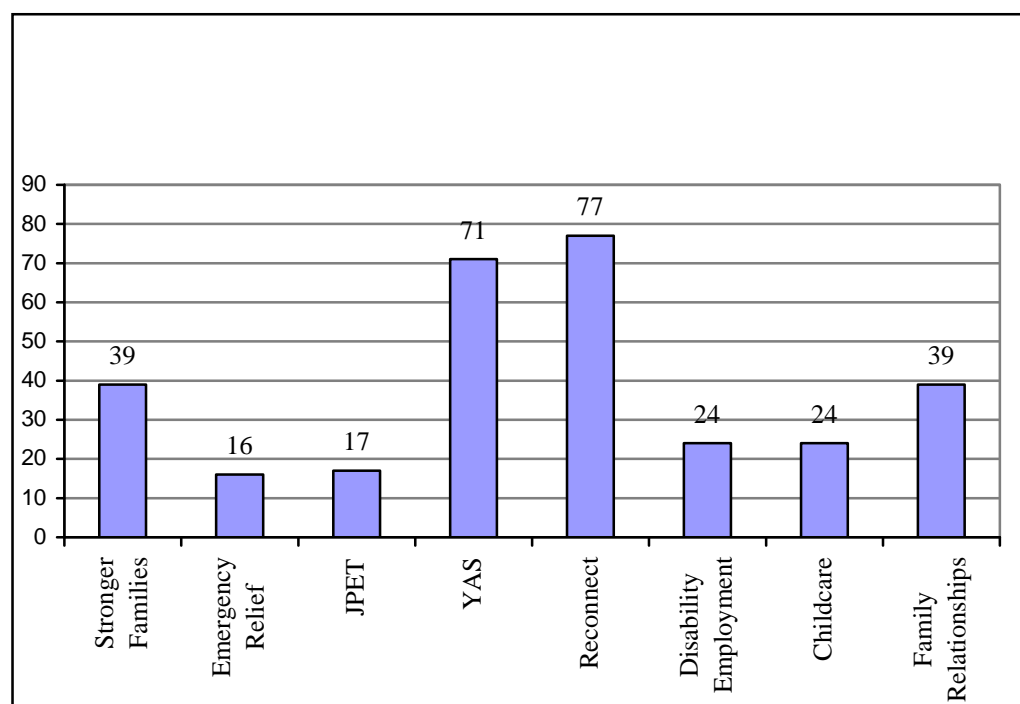
**Figure 3: Requirement to provide an annual work plan**

Table 9 and Table indicate the diversity of requirements within programs. This diversity reflects recognition by the Department that ‘one-size fits all approaches’ to program and service management are no longer acceptable (McCormick, 2003). This sophisticated program management approach, however, can lead to some inequity or perceptions of inequity in terms of reporting burden. Some organisations providing Disability Employment services, for example, are required to provide yearly reports (25 per cent) whilst the majority (75 per cent) are required to provide six monthly reports. Those who provide yearly reports have a lesser degree of burden than other organisations providing the same services. Greater communication with organisations may provide greater understanding of the Department’s desired outcomes and enhance the relationship between the Department and service providers

### **Staff time allocated to reporting requirements**

The notion of ‘reporting burden’ was also explored via a question about the amount of staff time allocated to the various aspects of reporting during an average month.

Providing reports in relation to client data appears to represent a substantial burden for many organisations. Table reveals that over one quarter of respondents (26 per cent) indicated the organisation allocated more than 8 days per month to reporting of this kind. It would appear that organisations find that the provision of financial reports in relation to funding less burdensome. Over half (54 per cent) allocated less than 3 days per month to financial reporting. Reporting on the performance and quality of services appears to create the least burden, with 57 per cent allocating less than 3 days per month to performance reporting. This is likely to reflect the predominantly yearly nature of performance reporting requirements (see Table ) for most funding programs (63 per cent n=240). It is also possible that organisations provide this type of information to management committees and boards on a monthly basis.

In general, the larger the organisation the greater the staff time allocated to meeting client data reporting requirements. There was also variation by program type. Only organisations classified as 'childcare' (32 per cent) and 'training and employment' (34 per cent) allocated more than 8 days per month to the collection of client data. Those organisations providing 'financial and material support' allocated the least amount of staff time on collecting client data (<1 day 32 per cent compared to 17 per cent). Location does not appear to influence the time allocated to meeting reporting requirements. Mainstream organisations allocated more staff time than other organisations collecting data (28 per cent compared to 12 per cent).

Organisations receiving funds under the JPET (43 per cent) and Disability Employment program (36 per cent) were more likely to allocated in excess of 8 days per month staff time on data collection. Table 11 indicates that the a third of organisations providing services under the JPET program provide quarterly client data reports. Those funded under the Disability Employment program, however, mainly provided annual client data reports (49 per cent). This suggests that 'reporting burden' (as measured by time allocated) is not simply about frequency of reporting but is likely to reflect the type and quantity of data required. This is also likely to reflect the move to case-based funding and the associated increased assessment procedures.

**Table 12: Staff time allocated to reporting per month**

Client data	Frequency	Percent
<1 day	105	16.9
2-3 days	149	23.9
4-7 days	142	22.8
8 days +	164	26.3
Missing	63	10.1
Total	623	100
Financial reporting		
<1 day	169	27.1
2-3 days	165	26.5
4-7 days	113	18.1
8 days +	112	18.0
Missing	64	10.3
Total	623	100
Performance reporting		
<1 day	191	30.7
2-3 days	161	25.8
4-7 days	79	12.7
8 days +	63	10.1
Missing	129	20.7
Total	623	100

In relation to financial reporting, larger organisations once again allocated more staff time to meet reporting requirements. Nine per cent of small organisations allocated more than 8 days per month preparing financial reports compared to 18 per cent of medium organisations and 31 per cent of large organisations. There appears to be no variation in time by location, with rural organisations allocating much the same time as those in metropolitan areas. Ethno-specific organisations in general allocated less staff time to produce financial reports (43 per cent allocated less than 1 day compared

to an average of 27 per cent). Specific programs do not appear to affect the allocation of time to financial reporting.

In relation to performance reporting, there was once again a relationship between size and length of time allocated to the task. A minority of small organisations (4 per cent) took in excess of 8 days to prepare performance reports compared to 10 per cent of medium sized organisations and 20 per cent of large organisations. There appears to be little variation by location. Ethno-specific organisations appear to have more difficulty with performance reporting (14 per cent took less than 1 day compared to 31 per cent). Comfort levels in written English may influence this. Those organisations providing services under the Stronger Families program (42 per cent in excess of 4 days) and Reconnect (39 per cent in excess of 4 days) took the greatest length of time preparing performance reports. Both these programs have been ‘rolled-out’ in recent years and, in general, have outcomes less amenable to quantification. Additionally, the Stronger Families initiative operates in vulnerable locations with lower organisational capacity and requires extensive qualitative reports.

### **Perceptions of changes in time required to complete reporting requirements**

Respondents clearly felt that the time required completing funding reporting requirements had increased over the past 5 years (Table 13). Over two thirds of respondents (69 per cent) indicated reporting requirements required more or a lot more time. Nearly one fifth felt they were about the same (20 per cent) and a small minority thought the time burden of reporting requirements had declined.

**Table 83: Change in reporting requirements over past 5 years**

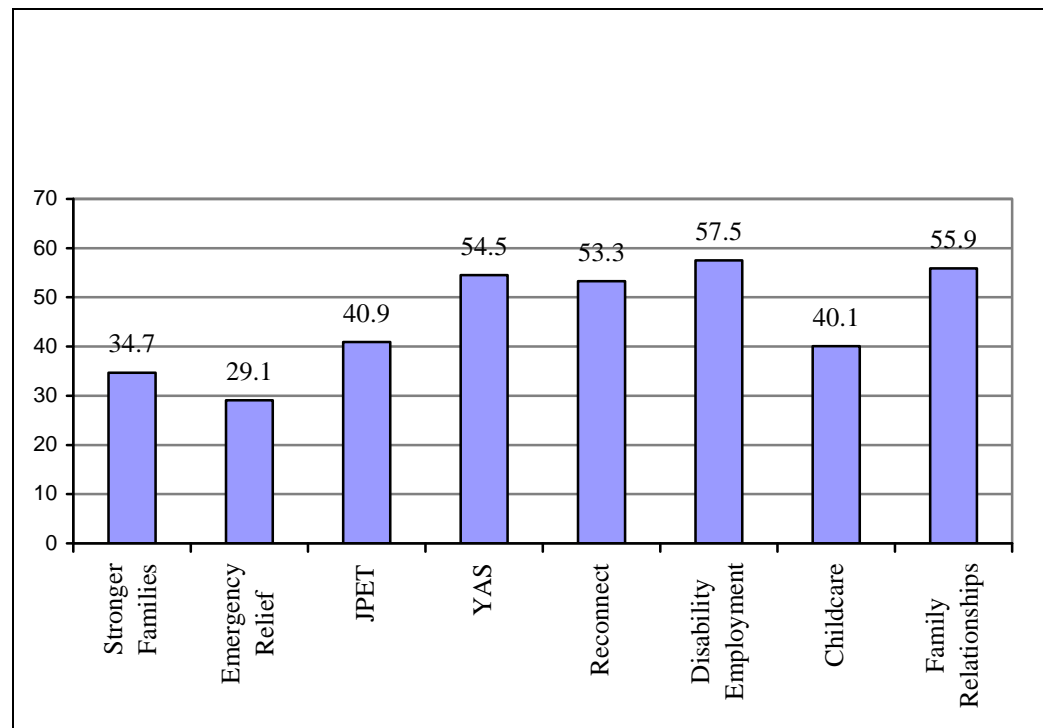
Requirements	Frequency	Percent
Requires a lot more time	257	41.3
Requires more time	175	28.0
Is about the same	124	19.9
Requires less time	18	2.9
Requires a lot less time	7	1.2
Missing	42	6.7
Total	623	100

There was very little difference in the perceptions of the time required to meet reporting requirements between mainstream and non-mainstream organisations, rural and urban organisations or small and large organisations.

The perception that reporting requirements had increased ‘a lot’ over the past 5 years differed between programs (Figure 4). This perception was strongest among those funded under the Disability Employment, the Family Relationships, YAS and Reconnect programs. As discussed earlier, the Department’s management of these programs have undergone considerable reform. The reforms to the Disability Employment program, particularly case-based funding and quality improvement processes, have increased reporting requirements. In recent years a computerised reporting system linking providers of the Family Relationships program and the Department has been introduced. As is common with the introduction of new information technology this has not been without its problems, contributing to a perception that reporting levels had increased. YAS, first funded in 1990, has seen a

substantial increase in requirements over the last three years. Reporting requirements for Reconnect, on the other hand, have developed over four years of its existence with new requirements being added.

**Figure 4: Reporting requires a lot more time for some program types**



Many respondents felt strongly that the burden of reporting had increased markedly, as the following quotes reveal:

When caring for children with disabilities, the issues of funding should not be a problem. It should not be queried when evidence (medical, etc.) proves a child has disability and there is a need for funding/aiding. I.e., too much 'red tape'.

In 1997 we did 1 hour of admin/week. In 2002 we do 8 hours of admin/week. This is directly related to FAO [Family Assistance Office] and Centrelink who have outsourced their workload to childcare services without paying for it. Some service's directors do FAO [Family Assistance Office] admin in their own time because it is too expensive to pay for and services will close. Fair – I don't think so!!

### **Impact of reporting on organisational functions**

The literature and sector advocacy contains considerable concern about the usefulness or otherwise of the information collected and reported by service providers. Barber and Eardley (2002: viii) found that most of the large not-for-profit organisations interviewed for their study saw government program requirements as driving both the content and structure of reporting systems. Performance measures, the type of client data collected and the documentation of financial expenditure were driven by government accountability needs. Ideally the information collected for reporting

requirements would also enhance service management. To explore the usefulness of the information collected for reporting purposes the questionnaire asked respondent organisations ‘what effect do FaCS reporting requirements have on your organisation’ in relation to a range of service management issues. These were rated ‘improves’, ‘makes little difference’ and ‘hinders’.

In general, it would appear reporting and accountability requirements are ‘making little difference’ to the operation of most organisations although about one quarter of organisations reported some improvements. As the reforms of the last decade were driven by a desire to change the way community services are provided and managed this would seem a disappointing finding. Some respondent organisations felt not-for-profit organisations’ service management needs were overlooked:

The data sets provide information for government, not useful management data for the providers.

**Table 14: Impact of reporting on organisational functions<sup>1</sup>**

Impact of reporting on organisation	Improves		Makes little difference		Hinders		Unsure	
	No.	%	No.	%	No.	%	No.	%
Planning and targeting of service delivery	166	26.6	334	53.6	54	8.7	26	4.2
Focussing on services to clients	155	24.9	334	53.6	72	11.6	17	2.7
Ensuring public accountability	287	46.1	251	40.3	11	1.8	28	4.5
Documenting accurately the work of your service	256	41.1	261	41.9	49	7.9	17	2.7
Evaluating the effectiveness of your services	196	31.5	311	49.9	44	7.1	32	5.1
Ensuring efficient use of resources	163	26.2	316	50.7	70	11.2	33	5.3
Assisting financial management	180	28.9	335	53.8	44	7.1	19	3.0
Functioning of management committee/board	88	14.1	420	67.4	19	3.0	47	7.5
Identifying potential problems	162	26.0	364	58.4	14	2.2	35	5.6
Preventing fraud	209	33.5	306	49.1	3	.5	61	9.8
Developing new services	131	21.0	317	50.9	58	9.3	71	11.4
Average		29%		52%		6%		6%

Note: <sup>1</sup>Percentages are of the total sample of 623

Many of the reforms implemented in funding arrangements over the past decade have been concerned with public accountability, efficient use of resources and client focus. Table 14 indicates that, from the respondent’s perspective, public accountability has been improved (46 per cent). There is less support, however, for the view that these

reforms have resulted in more efficient use of resources; only 26 per cent of respondent organisations indicated this has been improved and 11 per cent believed reporting requirements were a hindrance to efficiency. Likewise there was less support for the notion of the reforms improving client focus, with the majority of respondents indicating reporting requirements made little difference (54 per cent) or hindered (12 per cent) the organisations focus on clients.

Interestingly, the reporting requirements appear to have had a positive impact on the documentation of agencies' work (41 per cent improves) and assisting with the evaluation of services (32 per cent). It would seem clear, however, that the reforms have had minimal impact on the functioning of management committees/boards.

There was greatest support for the changes having improved public accountability among those organisations providing YAS (64 per cent), Reconnect (60 per cent) and Emergency Relief (58 per cent) (Table). Interestingly, the belief that the changes have improved public accountability does not seem to be supported by peak organisations. Those organisations classified as providing 'policy, service support and development' indicated the lowest level of support for this notion (32 per cent). For-profit organisations were less likely to support the notion that reporting requirements improved public accountability (28 per cent compared to 48 per cent for not-for-profit organisations). Support for the notion differed little by location or size.

Whilst 41 per cent of respondents (Table 15) thought the reporting requirements improved their ability to document accurately the work of their service there were important exceptions to this. Those organisations providing services under the Disability Employment (19 per cent) and the Family Relationships (24 per cent) programs both felt reporting requirements hindered their ability to document accurately their work (Table). The use of computerised reporting and quantitative data may be contributing to these experiences. Support for the notion was strongest among those providing Reconnect (67 per cent) and YAS (55 per cent) services. Both these youth programs have a self-evaluation reporting requirement that is well supported by the Department through regular forums, which appear to be valuable to respondent organisations in terms of service management.

**Table 15: Main effects of reporting by program type**

Focussing on services to clients	Improves	Makes little difference	Hinders	Unsure
Stronger Families (n=72)	29.2	54.2	12.5	1.4
Emergency Relief Program (n=86)	17.4	73.3	7.0	0
JPET Program (n=66)	36.4	43.9	3.0	1.5
YAS (n=22)	18.2	68.2	13.6	0
Reconnect (n=15)	26.7	53.3	20	0
ESPD (n=113)	26.5	45.1	27.4	0
Child Care Programs (n=284)	26.4	53.2	8.5	0
Family Relationships (n=34)	23.5	44.1	20.6	2.9
Public accountability	Improves	Makes little difference	Hinders	Unsure
Stronger Families (n=72)	40.3	52.8	0	1.4
Emergency Relief Program (n=86)	58.1	36	2.3	2.3
JPET Program (n=66)	43.9	37.9	1.5	3.0
YAS (n=22)	63.9	27.3	0	9.1
Reconnect (n=15)	60.0	33.3	0	6.7
ESPD (n=113)	40.7	49.6	4.4	1.8
Child Care Programs (n=284)	48.9	38.4	0.7	5.6
Family Relationships (n=34)	41.2	44.1	0	5.9
Documenting your work	Improves	Makes little difference	Hinders	Unsure
Stronger Families (n=72)	44.4	37.5	12.5	2.8
Emergency Relief Program (n=86)	38.4	53.5	4.7	1.2
JPET Program (n=66)	47.0	34.8	3.0	3.0
YAS (n=22)	54.5	31.8	13.6	0
Reconnect (n=15)	66.7	33.3	0	0
ESPD (n=113)	35.4	45.1	18.6	0
Child Care Programs (n=284)	48.2	38.7	4.2	3.9
Family Relationships (n=34)	29.4	38.2	23.5	2.9
Evaluating effectiveness of services	Improves	Makes little difference	Hinders	Unsure
Stronger Families (n=72)	38.9	45.8	8.3	4.2
Emergency Relief Program (n=86)	22.1	65.1	4.7	5.8
JPET Program (n=66)	39.4	40.9	3.0	4.5
YAS (n=22)	36.4	40.9	13.6	9.1
Reconnect (n=15)	40.0	53.3	6.7	0
ESPD (n=113)	28.3	47.8	19.5	2.7
Child Care Programs (n=284)	34.9	51.1	2.5	6.7
Family Relationships (n=34)	29.4	41.2	14.7	8.8

**Table 15: Continued**

Ensuring efficient use of resources	Improves	Makes little difference	Hinders	Unsure
Stronger Families (n=72)	30.6	51.4	11.1	4.2
Emergency Relief Program (n=86)	20.9	66.3	8.1	2.3
JPET Program (n=66)	30.3	45.5	6.1	6.1
YAS (n=22)	27.3	45.5	13.6	13.6
Reconnect (n=15)	13.3	73.3	13.3	0
ESPD (n=113)	16.8	50.4	29.2	1.8
Child Care Programs (n=284)	30.6	49.6	7.7	6.3
Family Relationships (n=34)	14.7	50.0	20.6	8.8
Preventing fraud	Improves	Makes little difference	Hinders	Unsure
Stronger Families (n=72)	31.9	52.8	0	12.5
Emergency Relief Program (n=86)	34.9	52.3	0	11.6
JPET Program (n=66)	34.8	40.9	0	9.1
YAS (n=22)	36.4	50	0	13.6
Reconnect (n=15)	20.0	66.7	0	13.3
ESPD (n=113)	23.0	68.1	0	5.3
Child Care Programs (n=284)	40.1	43.7	0.7	10.2
Family Relationships (n=34)	17.6	67.6	0	8.8

Aboriginal organisations (35 per cent) were more likely to feel reporting requirements improved planning than other organisations (26 per cent). Other than planning, however, Aboriginal organisations were generally more negative about the impact of reporting requirements on the functioning of the organisation. Aboriginal organisations felt that reporting requirements hindered the ability to focus on clients (28 per cent compared to 11 per cent of other organisations). They were three times more likely to believe reporting requirements hindered evaluation of their work (18 per cent compared to 6 per cent). They felt particularly strongly that reporting requirements hindered the ability to develop new services (25 per cent compared to 8 per cent).

The belief that reporting requirements hindered the ability of services to focus on services to clients was held strongly by those classified as providing ‘training and employment’ services (31 per cent). Accordingly, this belief was strongest among those providing services under the Disability Employment program (27 per cent). Those providing Reconnect (20 per cent) and Family Relationships (21 per cent) programs also felt the reporting requirements hindered the ability to focus on clients (Table). This is consistent with perceptions that reporting requirements had increased over recent years. There were only slight differences between organisations by size with 16 per cent of large organisations feeling their client focus was hindered by reporting requirements compared to 13 per cent of medium sized organisations and 8 per cent of small organisations. A number of respondents felt strongly about the lack of client focus in the administration of grants, including the following comments:

Focus is now too much on outcomes and administrative requirements, rather than people’s needs. Services now have to assess if a client is financially viable before assisting them. Service



culture and mission are changing due to government changes and regulations.

In general all government departments require copious amounts of paper trailing and have forgotten that we are here to meet children's and family needs.

If it is not broken don't fix it. Services are more worried about continued funding than the person with a disability because of FaCS' outcomes focus and not people focus.

Those organisations classified as providing 'training and employment' services felt strongly that the reporting requirements hindered the efficient use of resources (30 per cent). Nearly one third of those providing Disability Employment services felt reporting requirements hindered the efficient use of resources (29 per cent) (Table 15). Larger organisations were more likely to feel efficiency was hindered by reporting requirements (20 per cent compared to 10 per cent of medium sized organisations and 7 per cent of small organisations). The following respondent questioned the effect of reporting and accountability requirements in terms of both service delivery and efficiency.

In this financial year the service has had to dedicate such significant time allocation to being accountable that we have had little remaining time to do anything to be accountable for. Both direct service delivery and efficiency are reduced by administrative burden.

### **Changes to organisations as a result of reporting requirements**

The contracting out of service provision, with its increased emphasis on performance and accountability, has brought new demands for professionalism and training (Farrer, 1993). The 1995 Report of the Industry Commission (xlix) saw needs for training not only for employed staff, but also for volunteers and board members, and for these needs to be addressed in strategic planning in the sector. It recommended that funding agreements between government and community social welfare organisations take account of the costs of such training in the pricing of service delivery. The questionnaire asked whether reporting requirements led to organisational changes.

As Table 16 shows over half of the respondents (51 per cent) indicated that reporting and accountability requirements had changed the skills/expertise base of their organisation. Some 45 per cent of organisations had introduced new technology to meet reporting requirements and 39 per cent of organisation had provided staff training or retraining. This suggests that reporting and accountability requirements have led organisations to greater computerisation and this has been accompanied by the need for staff training or retraining. It is likely that contracting and reporting requirements have hastened these changes in the community services sector rather than being the sole catalyst.

A minority (7 per cent) of organisations indicated that reporting and accountability requirements had led to the cessation of programs or services, although a further 12 per cent indicated they had led to people being turned away.

**Table 96: Changes to organisations as a result of reporting requirements**

Changes	Frequency <sup>1</sup>	Per cent
Changes to skills/expertise base	316	50.7
Introduction of new technology	288	45.3
Reduction in employment conditions	126	20.3
Targeting of services more effectively	117	18.8
People seeking help being turned away	74	11.9
Increase in the number of client contacts	99	15.9
Training or retraining of staff	242	38.9
Cessation of programs or services	40	6.5
Total		100

Note <sup>1</sup> More than one answer possible. Percent is of total sample of 623.

One fifth of organisations (20 per cent) indicated that reporting and accountability requirements had led to a reduction in employment conditions. Approximately one third of organisations providing services under the Family Relationships (35 per cent) and the Disability Employment (31 per cent) programs believed the reporting requirements had led to a reduction in employment conditions. This was also a concern among Aboriginal organisations (30 per cent). This would appear to be primarily related to the increased use of contracts for direct service workers due to the short-term nature of many agreements/contracts as the following quotes reveal:

*Short term contracts make it impossible to keep staff.*

*Changes in funding/cycles leads to increased numbers of casual staff who rely partly on government entitlements (Centrelink) and partly on a fluctuating wage which is a problem for staff and their families and for the organisation as turnover of casual staff can be high. Also staff often don't earn a liveable wage which is unfair and unjust.*

Once again disappointingly in terms of the reform agenda, the changed funding arrangements do not appear to have improved 'targeting of services more effectively' (19 per cent) nor have they resulted in an increase in the number of client contacts (16 per cent).

In general, there were few differences between organisations on this question. Those organisations funded under the Reconnect (60 per cent) and Childcare (57 per cent) were slightly more likely to have changed the skills/expertise base of their organisations as a result of reporting requirements. Those providing services under the Emergency Relief program were least likely to have introduced new technology (32 per cent), possibly reflecting the limited funds available for administrative costs under the program and a lack of any obvious need although this may change in the short term.

Aboriginal organisations indicated a greater likelihood of turning people away (30 per cent) and the likelihood of programs ceasing (15 per cent). At the same time, however, they indicated a higher likelihood of an increase in client numbers (35 per cent compared to 14 per cent of non-Aboriginal organisations). These findings may reflect broader issues in Aboriginal organisations and Indigenous communities and may not be attributable to contract requirements.

It would seem increased fees and ‘rationalisation’ of services may also have been outcomes for some services:

As a metropolitan agency with regional outlets it can be easy to close regional programs to address funding shortfall – will lead to decreased services in country areas.

We have been forced to increase charges to cover admin costs. Our survival is now dependent on maintaining admin systems not based on the services and care we provide.

### **Multiple-funded organisations**

The burdens and costs of reporting requirements on individual organisations are exacerbated by multiple reporting requirements. Most such reporting is on a program basis and even small community organisations commonly receive funding from more than one program. Organisations often must provide similar (but not identical) bodies of information for different service agreements and even a single funding agency may require multiple forms of data reporting. The program-specific nature of the data required increases the costs of its provision (Industry Commission, 1995: xlv; Ryan, 1997: 36; Melville and Nyland, 1997; O'Neill, 1997; Nevile, 1999: 25; Anderson and Brady, 1999: 202).

The House of Representatives Standing Committee (1998: 56, 58-60) found an uncoordinated approach to monitoring, which it attributed to the use of multiple performance standards and quality assurance mechanisms across the sector. In turn, it attributed this multiplicity of requirements to the difficulty of defining meaningful measures of service outcomes.

The questionnaire explored the issue of multiple funding through a question comparing reporting requirements and another inviting respondent organisations to consider the potential outcomes from government moving towards standardised reporting requirements. Not surprisingly, the larger an organisation's annual income the more likely they were to be receiving funds from multiple fund programs. Some 44 per cent of those organisations whose income was \$250,001-\$1m had entered into two to four agreements or contracts and 46 per cent of those organisations whose income was in excess of \$1m had entered into five or more contracts. By comparison 63 per cent of those organisations whose income was less than \$250,000 had only one agreement or contract with government.

Table 17, which refers to only those organisations that are multi-funded, suggests that not all programs required all three types of reporting. That is, whilst these organisations may receive funds under more than one program they may not be required to report on performance for both programs.

In relation to client data requirements, forty one per cent of respondents did not answer this question, suggesting they did not receive multiple funding or did not have client data reporting requirements in more than one program. Only a small number (10 per cent) indicated their client data reporting requirements were exactly the same in different programs. Given the staff resources allocated to meeting reporting requirements indicated in Table 17 this would appear to be an issue of concern.

**Table 17: Similarities between reporting requirements between programs**

Client data requirements	Frequency	Per cent*
Exactly the same	37	10.1
Similar	172	46.7
Significantly different	159	42.2
Total	368	100
Financial reporting requirements		
Exactly the same	50	14.1
Similar	204	57.5
Significantly different	101	28.5
Total	355	100
Performance reporting		
Exactly the same	30	9.5
Similar	136	43.2
Significantly different	149	47.3
Total	315	100
Note <sup>1</sup> Percentage of multiple funded organisations only		

Over half of childcare providers indicated their client data requirements were ‘exactly the same’ between different programs. Those organisations classified as providing ‘personal and social support’ (39 per cent) and ‘training and employment’ (37 per cent) were more likely to have significantly different client data requirements. Size once again impacts on organisation’s reporting requirements with only 14 per cent of small organisations indicating their client data requirements were ‘significantly different’ compared to 30 per cent of medium organisations and 40 per cent of large organisations. Location and target groups do not appear to affect different reporting requirements. There were, however, important differences by funding program. All programs had significant differences except those funded under the childcare program (18 per cent). Those with the most differences received funding from the Reconnect (67 per cent), YAS (55 per cent) and the Stronger Families (40 per cent) programs, all programs that focus on qualitative outcome measures. Only 34 per cent of organisations receiving funding under the Disability Employment program indicated their client data requirements were ‘significantly different’, suggesting that the difficulties being experienced by these organisations in relation to client data reporting is not primarily about inconsistent requirements from multi-funding programs.

Over half of respondents (n=355 or 57 per cent of total sample) indicated financial reporting requirements were similar between programs. This is likely to support the early supposition that financial reporting is a less of a burden for organisations. There appears to be little difference between organisational classifications, location or target group. Size seems to effect organisational experience with larger organisations (27 per cent) more likely to have ‘significantly different’ requirements than medium (20 per cent) or small (7 per cent) organisations. Nearly one quarter of those organisations

receiving funding under the Disability Employment program had significantly different financial reporting requirements between funding programs (23 per cent).

For nearly one half (47 per cent) of the responding organisations (n=315 or 51 per cent of the total sample) indicated that performance reporting requirements varied significantly from one program to another. This suggests that organisations are required to write about their performance using different measures for different programs, although they are describing the same activities and outcomes. The larger organisations were the more likely they were to have significantly different performance reporting requirements (38 per cent compared to 30 per cent for medium sized organisations and 11 per cent for small organisations). There are also differences by classification and funding program. Those organisations classified as providing 'personal and social support' (43 per cent) and 'training and employment' (36 per cent) were more likely to have 'significantly different' performance reporting requirements. Supporting this those receiving funds from YAS (41 per cent), Reconnect (47 per cent) and Disability Employment program (36 per cent) had 'significantly different' performance reporting requirements.

Some comments from respondent organisations on this topic include the following:

Agencies sometimes have competing requirements from difficult funding streams or policy demands collaborative programs between agencies with different systems making joint reporting a nightmare to 'break it up' into required formats and meet deadlines. And it keeps getting worse. Our software 'crashes' every quarter due to new demands, costing us \$ thousands.

Co-ordination of FEDERAL and STATE reporting requirements.

Analysis of data provided by those respondent organisations that provided services under more than one FaCS program (n=170) suggests there were significant differences in reporting requirements *within* the Department and *between* programs. This was particularly the case for organisations providing non-standard services (that is, 'other' programs) (n=38). These organisations indicated their client data, financial and performance requirements were all significantly different from those under their main funding program. Those providing secondary services under the Emergency Relief program (n=24) indicated a much higher level of performance reporting difference (42 per cent significantly different compared to 24 per cent) and client data requirements (42 per cent significantly different compared to 26 per cent) than the general sample. This is likely to reflect the minimal requirements under the Emergency Relief program. Not surprisingly, support for reforms that led to standardisation of reporting requirements between government agencies was particularly strong among Emergency Relief providers (61 per cent compared to an average of 47 per cent). The standardisation and streamlining of reporting requirements would appear to be an important element of the macro-reform of FaCS contract management currently underway.

### **Organisational stress**

The literature suggests the changed funding environment has created significant organisational stress among some not-for-profit organisations. The Industry

Commission (1995: xxii - xxvi) commented on the high degree of regulatory inspection in the sector. This degree of regulatory inspection appears to contribute to a sense of stress in contracted organisations (Nyland, 1993: 134-6). Enhanced requirements for performance and accountability have eroded organisational autonomy at the same time as demanding greater skills of staff, managers and board members. Staff, both paid and volunteer, are under increased pressure to perform as skilled professionals, while the capacities of volunteer management committees are challenged by sharper awareness of their legal responsibilities and liabilities. Funding and accountability requirements have on occasion impelled change in organisational structure, with the stresses particularly acute for small, stand-alone organisations. Some organisations have seen their organisational integrity as at stake (Nyland, 1993: 134-6; Farrer, 1993; McKenzie and Cox, 1994).

The questionnaire sought subjective information about respondent's perceptions about how their organisation had coped with the changed funding environment. They were also asked to rate their organisations response on a scale from 'very stressed' to 'very comfortable' now and initially when the changes were introduced. As the changes have been implemented at a different pace by different funding programs a specific time frame was not set. This question was aiming to explore whether organisational stress levels had reduced over time, as they became more familiar and confident with the changed funding arrangements.

Set out below are the general findings for all respondents as well as results of cross tabulations by organisational size, location, target population, service classification and program type.

Bearing reservations about the ability of respondents to know the 'initial' response of organisations in mind, organisational stress levels appear to have *decreased* over time (Table 18). Initially 18 per cent of organisations reported being very stressed; this had halved over time (9 per cent). Importantly, however, the number of organisations indicated they are 'stressed' declined only slightly. This would suggest among a substantial number of organisations there had been little or no change in their experience of the changed funding environment. Very few organisations were initially or are now 'very comfortable' with the changes.

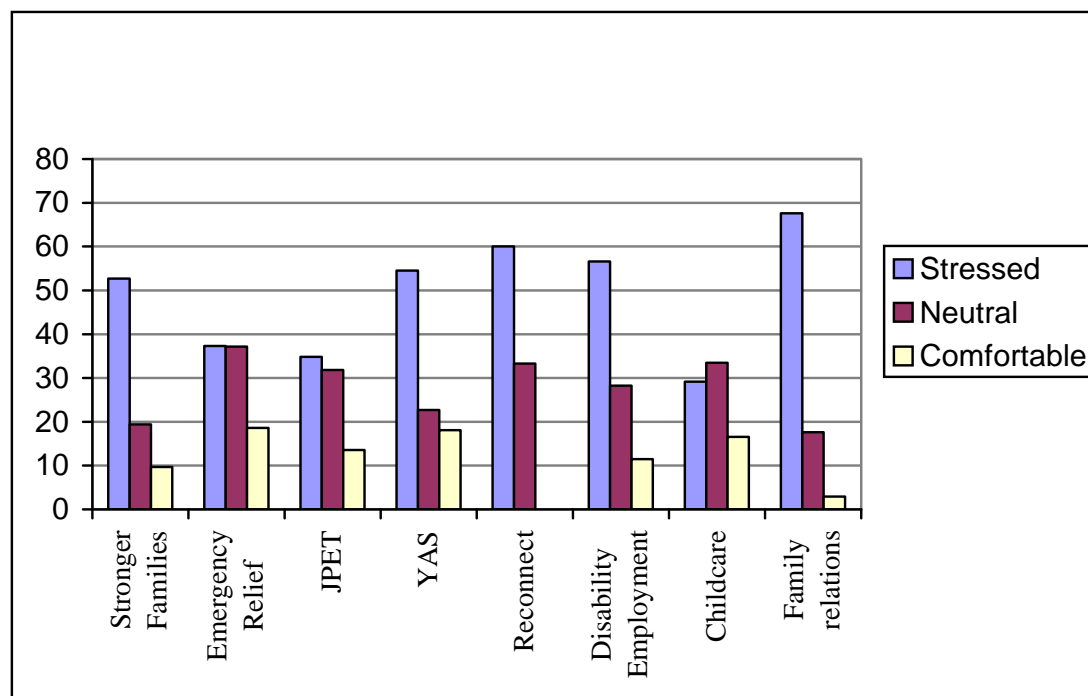
**Table 18: Description of organisation's response to changed funding environment**

Response	Initially		Now	
	Frequency	Percent	Frequency	Percent
Very stressed	113	18.1	56	9.0
Stressed	180	28.9	170	27.3
Neutral	190	30.5	207	33.2
Comfortable	43	6.9	81	13.0
Very comfortable	2	.3	12	1.9
Missing	95	15.2	97	15.6
Total	623	100	623	100

Aboriginal organisations defied the trends in terms of stress, being initially more comfortable and now reporting greater levels of stress. Initially 48 per cent of Aboriginal organisations reported being either neutral or comfortable with the changed funding arrangements compared to 37 per cent of non-Aboriginal organisations. Now, however, those neutral or comfortable have declined to 38 per cent of Aboriginal organisations whilst among non-Aboriginal organisations have increased to 47 per cent. Aboriginal organisations expressed concern about being diverted from their vision and purpose, which may contribute to their stress levels increasing over time.

Not-for-profit organisations had consistently higher levels of stress than for-profit organisations. Only 21 per cent of for profit organisations indicated they were 'stressed' or 'very stressed' when the changes were initially introduced compared to 61 per cent of not-for-profit organisations. Whilst stress levels were now lower for both groups, not-for-profit organisations still remained more stressed (39 per cent compared to 8 per cent). This may reflect concern among not-for-profit organisations about the philosophical shifts embedded in contracting rather than reporting per se (see later for discussion).

Stress levels varied considerably across funding programs (Figure 5). Those organisations providing services under the Family Relationships program reported considerable levels of stress whilst those organisations providing Childcare, Emergency Relief and JPET services reported the least amount of stress. No organisation providing Reconnect services indicated they were 'comfortable' about the changed funding environment of contracted organisations. It seems likely that these variations are influenced by the context of the reform processes being implemented in these programs by the Department discussed earlier.

**Figure 5: Stress levels now by program**

In general small organisations among these respondents do not appear to be under extra stress as a result of the changed funding environment. Service type and program appears however to skew this finding somewhat. Among these respondents the majority (60 per cent) of small organisations (less than \$250,000 annual income) were providers to childcare services. The relationship with the Department for these organisations remains relatively positive and has not been subject to radical reform (although this is likely to be forthcoming). Some 20 per cent of small organisations providing childcare services indicated they were ‘stressed’ or ‘very stressed’ now by the changed funding arrangement compared to over one third (36 per cent) of other service types.

Geographic or locational differences also appear to be subsumed by program differences. Less than one quarter (22 per cent) of rural childcare providers, for example, indicated they were stressed or very stressed now compared to 46 per cent of other rural service providers.

Stress levels were also higher among multiple funded respondent organisations. Over a half (51 per cent) of those organisations that had signed five or more contracts report feeling stressed now compared to 38 per cent of those who had signed only one agreement. This supports earlier research (Barber & Eardley 2000) that suggests stress may be greater among multiple funded organisations.

### Summary

In general, the ‘burden’ of reporting appears to be not as widespread among respondent organisations as implied by the literature. The data suggests, however, that the ‘burden’ of reporting is concentrated among a sub-set of responding organisations, particularly those providing personal and social support services and employment and



training services. Less than two thirds of the respondent organisations were required to provide performance reports, mostly on a half yearly or yearly basis. Just over half of the respondents were asked to provide financial data, once again on a yearly basis. As the production of yearly accounts is a requirement for most formal structures (both for-profit and not-for-profit organisations) this is not likely to be an additional 'burden', although the accounts may need to be presented in specific formats. Just over half of respondents were asked to client data reports, although on a more frequent basis than other reports. Just over a third of respondents were asked to provide work plans, mainly on a yearly basis.

The collection and reporting of client data requires the greatest allocation of staff resources. Over one quarter of respondents allocated in excess of 8 days per month to the collection and reporting of client data. This was considerably more than other forms of reporting requirements. In all areas of reporting requirements the larger an organisation the greater time allocated to the task. This would suggest a positive relationship between grants received and reporting requirements, allaying some of the concerns of the sector in relation to the 'swamping' of small organisations by accountability requirements (Nyland, 1993: 134-6) although this may be a reflection of program differences.

There appears to be little variation by location in respondent organisations experiences, suggesting the Department consistently administers grants throughout the country. The exception, however, is those organisations providing services in remote locations that have greater performance reporting requirements than other organisations. Accordingly, Aboriginal organisations have higher levels of performance reporting at shorter intervals reflecting the innovative preventative nature of programs offered by organisations. This creates a challenge for the Department in providing appropriate support and building the capacity of these organisations.

In general, it would appear the increased accountability requirements had a mixed impact on the functioning of services. In most cases it made little difference, suggesting that the data collected is primarily meeting the needs of the Department and of limited relevance to the management of services. Only in relation to public accountability and documenting organisations work do respondents view reporting requirements as improving the functioning of their organisation. It would appear the reforms have had limited success in achieving their desired goals of significant improvements in contracted organisations operation. Greater dialogue and consultation may be required with contracted organisations and individual organisations about achieving these goals.

Some ten per cent of respondent organisations found that the changed funding arrangements *hindered* efficient use of resources and the focus on clients. As these were two of the key drivers behind the reforms this is an important finding. The hope held out by McDonald (1999) that the changes would improve internal systems of management and control, including the functioning of boards and committees also seems unrealised. From a service delivery perspective it is particularly disappointing that the reporting requirements have had little positive impact on the planning and targeting of services. Reporting data is improving planning and targeting for just over a quarter of respondent organisations. In theory the reporting requirements would provide information with which services could understand more about their client group, identify gaps and develop strategies to address these gaps but this does not

appear to have occurred. This may reflect a lack of skills to integrate the information into planning processes or it may reflect the limited usefulness of the data collected for service management purposes.

The reforms had led to significant changes in organisational skills/expertise as well as the introduction of new technology. It is possible that these changes were hastened by the new reporting demands. Allaying some of the concerns of the sector among these respondents few organisations had ceased programs due to the changed funding arrangements. Of some importance in the short and long term is the impact of the changes of employment conditions. The community services sector has been renowned for poor recompense for effort and has historically struggled to develop a skilled workforce (Western Sydney Community Forum and Voice for SONG 2003: 3). The insecure employment situation created by the move to limited time contracts may have long term adverse impact on the sector, in terms of longevity and skills development for direct service workers.

The survey findings support the concerns expressed by the House of Representatives Standing Committee (1998: 56, 58-60) about the uncoordinated approach to monitoring. Approximately 60 per cent of responding organisations received funding from more than one government agency. In only a minority of cases however were the client data, financial reporting and performance reporting requirements of various programs 'exactly the same'. Financial reporting requirements were more likely to be at least 'similar' than the other types of reporting. Childcare providers had the least diversity in reporting requirements with those providing Reconnect, YAS and Stronger Families programs indicated the greatest diversity in reporting requirements. The larger organisations, that were more likely to have a multiplicity of reporting requirements, indicated the greatest diversity of reporting requirements.

Respondent organisations indicating they were *very stressed* have reduced by half over time, although only a small minority is comfortable with the changed funding environment. It would seem likely that as respondent organisations became more familiar with reporting requirements, achieved agreed outcomes and successfully negotiated new contracts stress levels have reduced. Nearly three out of ten respondent organisations remain, however, stressed about the changed funding environment suggesting either they continue to struggle to cope with reporting requirements or that the cause of this stress may lay elsewhere, most likely the uncertainty created by ongoing reform. Supporting the literature, multiple funded organisations reported the highest levels of stress.

#### **4.2 Departmental administration and contractual relations**

Regardless of the funding model used, governments funding service delivery by community organisations retain some degree of responsibility for the standard of the services that are provided (Lyons, 2001: 183-90). This puts government in the role of protecting client interests by regulating and monitoring providers. The key mechanism through which governments define the rights of service users and accompanying complaints mechanisms, set minimum standards and encourage participation on the part of service users is the contract.

The Joint Committee of Public Accounts (2000: 83-4) reported opinion that insufficient attention was given to risk management in Commonwealth contracting

generally, once the initial procurement decision has been taken. It suggested the need to ensure the operation of processes to control risk in contract administration, performance monitoring and contract succession. The Joint Committee observed that contracting entails risk for both parties, so that inadequate performance by Commonwealth contractors can create risk for contracting organisations.

Barber and Eardley (2002) report a general view that the Commonwealth and State departments and not-for-profit organisations need to work together to identify appropriate measurement and evaluation criteria reflecting the outcomes that are sought, and that IT and reporting systems should then be developed on this agreed basis. Pointing to the high costs of training for individual organisations, Farrer (1993) also recommended the funding of infrastructure bodies providing administrative, training and support functions across a range of providers.

The questionnaire included two questions specifically relating to FaCS contract administration: one on the quality of the contract and one on the type of support organisations would like, including technological needs.

Set out below are the general findings for all respondents as well as results of cross tabulations by organisational size, location, target population, service classification and program type.

### **FaCS contract**

The majority of respondents indicated that the FaCS contract was good or very good on all criteria (Table 19). Particularly strong support was given to the use of plain language (72 per cent good or very good) and adherence to current privacy legislation (69 per cent good or very good). Those areas where some concern was expressed (very poor or poor) included: recognition of independence and organisational autonomy (27 per cent), relationship between level of funding and reporting requirements (27 per cent) and clarity about rights of contracted organisations (23 per cent).

**Table 19: Views of FaCS contract**

FaCS Contract	Very poor		Poor		Good		Very good		Unsure	
	No.	%	No.	%	No.	%	No.	%	No.	%
Use of plain language	24	3.9	85	13.6	345	55.4	102	16.4	16	2.6
Clarity about rights of non-government organisations	28	4.5	112	18.0	293	47.0	57	9.1	66	10.6
Recognition of independence and organisational autonomy	39	6.3	131	21.0	249	40.0	89	14.3	50	8.0
Clarity about dispute resolution or complaints process	32	5.1	84	13.5	293	47.0	82	13.2	69	11.1
Relationship between level of funding and reporting requirements	46	7.4	120	19.3	285	45.7	79	12.7	37	5.9
Adherence to current privacy legislation	3	.5	47	7.5	294	47.2	137	22.0	79	12.7
Interaction with other legislative requirements	15	2.4	85	13.6	276	44.3	58	9.3	118	18.9
Payment mechanisms	19	3.0	64	10.3	305	49.0	159	25.5	20	3.2

Aboriginal organisations were concerned about the poor clarity about the rights of contracted organisations (33 per cent compared to 22 per cent of non-Aboriginal organisations). Some Aboriginal organisations also expressed concern about the recognition of independence and organisational autonomy (15 per cent rated the contract as very poor compared to 5 per cent of other organisations). They also felt the reporting requirements were not always appropriate for the level of funding (18 per cent Aboriginal organisation rated the contract as ‘very poor’ in this context compared to 7 per cent of non-Aboriginal organisations).

Those respondent organisations classified as providing ‘training and employment’ services rated the contract poor (34 per cent) in relation to clarity about rights of contracted organisations. They were also critical of the contract in relation to the poor or very poor recognition of independence and organisational autonomy (47 per cent). Those funded under the Disability Employment program expressed concerns (poor or very poor) about both these issues (38 per cent compared to 19 per cent; 48 per cent compared to 23 per cent respectively). Reconnect funded services were concerned (poor or very poor) about clarity about rights of contracted organisations (40 per cent) and recognition of independence and organisational autonomy (47 per cent) but had fewer concerns about the relationship between funding levels and reporting.

Interestingly, 68 per cent of those organisations classified as providing ‘policy, service support and development’ rated the contract as good or very good in relation to organisational independence and autonomy. This is an important finding given the concerns about contracts enabling greater control over the work of policy organisations (Rogan, 1996; Bessant and Webber, 2001; Sawer, 2002). It would appear concern about contractual constraints on autonomy is not widespread among advocacy respondent organisations.

There was more widespread concern about the relationship between reporting requirements and funding levels. Organisations classified as providing ‘training and employment’ (41 per cent), ‘personal and social support’ (33 per cent), and ‘policy, service support and development’ (32 per cent) all felt the contract was poor or very poor in relation to this issue. Interestingly, however, 64 per cent of small organisations (with incomes less than \$250,000) thought the contract was good or very good on the relationship between reporting requirements and funding levels.

The following respondent highlighted the relationship between contractual obligations and funding levels:

FaCS insurance requirements for contracts make it very hard for us  
Eg., they require 5 million cover for professional indemnity  
insurance, which is hard to get and costs \$5,000. This was to get a  
\$40,000 grant. What was the point? Really put us off.

### **Desire for support from the Department**

There appears to be clear desire among respondents for the Department to take an active role in supporting organisations (Table 20). Respondents were particularly interested in the Department providing informal advice and support (65 per cent) through an identified contact person (64 per cent). The ‘flip-side’ of this was concern expressed by following respondents:

Five years ago I felt I could ring FaCS and know who to ask for.  
Now I don’t even bother calling.

Department is poor at relationship management with the sector. It’s  
a one-way street.

**Table 20: Desire for support from the Department**

Support	Frequency <sup>1</sup>	Percent
None	20	3.2
Identified contact person	397	63.7
Service visits	215	34.5
Information on how reports are used	272	43.7
Templates, etc. to meet reporting requirements	317	50.9
Guidelines and pro forma policies	253	40.6
Informal advice and support	402	64.6
Facilitation of informal mentoring and networking	219	35.1
Funding for sector based resourcing agency	208	33.4
N	623	100
Note: <sup>1</sup> More than one answer possible. Percentage is of total sample of 623		

There were strong differences between programs on their desire for greater support from the Department. Those organisations classified as providing ‘financial and material relief’ indicated the least desire for greater support from the Department on all options. These organisations clearly feel comfortable with the current nature of the relationship they have with the Department. Conversely, youth programs (YAS and Reconnect) expressed particularly strong desire for improved relations with the Department. The designation of a contact person (82 per cent) and service visits (55 per cent) were improvements support by those providing YAS programs. Those providing Reconnect programs felt strongly about the desirability of templates (87 per cent), guidelines (73 per cent) and information on how reports are used (73 per cent).

Ethno-specific organisations sought information about how reports were used (71 per cent), service visits (48 per cent) and mentoring (48 per cent).

In general, there were strong differences between not-for-profit organisations and for-profit organisations in terms of their view of the relations with the Department. For-profit respondent organisations expressed little interest in increased contact with the Department, possibly preferring instead a business-like relationship. Not-for-profit organisations consistently indicated a stronger desire for improved relations with the Department. The exception, however, was that both types of organisations expressed similar levels of desire for informal advice (not-for-profit 65 per cent and for-profit 62 per cent). This suggests that the traditional relations between the funding body and the service provider may shift as the involvement of for-profit organisations increase in the community services sector. Not-for-profit organisations have traditionally viewed their funding body not only as a source of funds but a partner in the enterprise of addressing community needs. Further research is required to explore how for-profit providers view their relationship with government.

Small organisations (66 per cent) expressed greater desire for informal advice than large organisations (57 per cent). This may reflect the lack of an internal network to informally discuss issues, which is much more likely for larger organisations.

The issue of the relationship between organisations and FaCS dominated concerns expressed by respondents to Q. 25 (Do you have any other issues of concern that you would like to raise?). The issue of communication and consultation between organisations and the Department was mentioned by a number of respondents:

More consultation (face to face) needed with organisations receiving ERF. No face to face contact here for 2¼ years that I know of.

After 21/2 years things should be getting better and they are not. FaCS should communicate with FAO and both should communicate with services more.

When communicating with the Department need clear concise information that can be used to resolve problem or concern. It is very time consuming to chase info or people.

There would certainly appear to be support among respondents for the Department to take on a more active capacity-building role in terms of staff training and development.

Resourcing of workers in NGO organisations as the clients continue to increase and become more complex.

FaCS have not considered openly the 'professional development' and continual training that is required of not only staff (paid) but volunteers as well. FaCS have not provided funds for capital infrastructure that some NGOs require desperately to be able to operate and perform as required.

### **Technology needs of organisations**

There was overwhelming desire for increased support in relation to organisations technology needs. Information technology (IT) requirements also emerged as issues in Barber and Eardley's (2002: vii) interviews with the heads of large not-for-profit organisations. They report that there is significant variation in the level of IT development even among the small group of large organisations included in their study. The requirements of funders differ with respect to the systems and software specified for the collection of data and performance reporting, and organisations thus have to support a range of software formats with different input requirements, training needs and maintenance costs. The heads of organisations believe that these costs are not adequately covered in their funding agreements (Barber and Eardley 2002).

**Table21: Technology needs of organisations**

Technology needs	Very important		Important		Not important	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Computer infrastructure	449	72.1	118	18.9	30	4.8
Staff training	404	64.8	165	26.5	30	4.8
Software compatibility	407	65.3	122	19.6	62	10.0
Minimum data set	246	39.5	240	38.5	81	13.0
Data definitions	325	52.2	221	35.5	34	5.5
Privacy protection	409	65.7	150	24.1	31	5.0
Compatibility with financial records	408	65.5	149	23.9	39	6.3

Those organisations classified as providing ‘financial and material relief’ and funded under the Emergency Relief program differed considerably from other organisations in relation to technological needs. Computer infrastructure (15 per cent), staff training (23 per cent), software compatibility (32 per cent) and data definitions (14 per cent) were all viewed as not important by these organisations. This contrasted strongly with organisations funded under the YAS, Reconnect and Family Relationships programs. The vast majority of those organisations funded under YAS (91 per cent) thought computer infrastructure was ‘very important’. Those providing Reconnect (87 per cent) and Family Relationships (85 per cent) also thought this issue was ‘very important’ to their effectiveness. As mentioned earlier at the time study the computerised reporting system used under the Family Relationships program was experiencing difficulties. Organisations providing YAS and Reconnect services were generally more positive on all these issues. Data definitions were very important to those providing Stronger Families programs (63 per cent), highlighting the complexity of measuring social capital outcomes. Compatibility with financial record systems was seen as very important for childcare providers (72 per cent).

Those organisations with incomes between \$250,001 and \$1m (medium sized) placed the highest level of importance on every technological need. It was thought that smaller organisations with a lesser capacity to invest in technology would express the greatest need in this area. It may be that medium sized organisations are undergoing some growth and their technological systems are struggling to keep pace with this growth.

In general, technology was less of an issue for non-mainstream organisations, although Aboriginal organisations did express a need for staff training (75 per cent compared to 64 per cent). Additionally, technology was more important to regional and remote organisations than rural organisations. It is difficult to be confident why these organisations differ in their technology needs although it may be influenced by program area, technological environment or organisational size. As mentioned previously, nearly half of the respondent organisations providing services in rural settings were childcare providers. The technological environment of remote organisations (such as the ability to have consistent internet connections) may



contribute to this being more of an issue for these organisations. Regional organisations may have greater expectations of technology due to their more urban nature and/or size.

A number of respondents highlighted difficulties in relation to technology in the open-ended question (question 25). These included:

Lack of data base to record and collate information. Different interpretation of reporting requirements by government project officers.

FaCS funded services require FaCS provided software similar to that provided to Job Network services.

Constant changes to requirements for reporting necessitates software changes

### **Summary**

It would seem that the majority of respondent organisations views the administrative aspects of the contract between service providers and the Department positively. The major areas of concern for organisations relate more to how the contracts express the relations between the funding body and the service provider (recognition of independence and organisational autonomy and clarity about rights of contracted organisations). Additionally, there were some concerns about the relationship between the level of funding and reporting requirements. Aboriginal organisations and those providing services under the Disability Employment program felt strongly about these issues.

Small organisations did not indicate any particular concern about the relationship between funding level and reporting requirements. It would appear program requirements might be of greater importance than organisational size.

An important finding from this section was the lack of any apparent effect of reporting and accountability requirements on the independence and autonomy of organisations involved in 'policy, service development and support' activities.

Those providing youth services expressed strong and consistent desire for closer relations with the Department. The majority of respondent organisations providing Emergency Relief services appeared happy with current relations.

Technological needs remain very high for most organisations, although it would appear this is particularly so for medium sized organisations. These organisations may be undergoing growth, which their technological capacity is finding difficult to support.

### **4.3 Effect of funding arrangements on relationships with the Department**

Within the literature and advocacy there has been ongoing concern expressed about the potentially detrimental effect of contracting on the relationship between government and the community services sector as well as the social capital role of not-for-profit organisations.

Although many not-for-profit organisations have a history of close co-operation with government departments and depend on government funding for their work in service delivery or policy advice, they prize their independence and the integrity of their particular values and organisational missions (Lyons, 2001: 180-92). The advent of funding based on competition and contract has transmuted this tension into visible contradictions between the ostensible equality of contracting parties and their evident economic and political inequality. The commitments of many not-for-profit organisations to roles in advocacy and policy critique serve to heighten these contradictions.

McClelland (2002: 86) sees community welfare organisations and government as more dependent on one another than in the past, with both sides feeling suspicious and frustrated. Governments suspect that community organisations represent their own interests as providers and not necessarily those of the people who use their services. Community organisations feel an imbalance of power in their relations with government, and believe that government does not recognise the values, ethos and functions that distinguish the not-for-profit sector from government. She reports concerns also about competitive funding as weakening co-operation in the sector and of output-based funding as skewing priorities toward doubtful activities and short-term horizons.

The focus of funding agreements on service delivery to the exclusion of advocacy, community development and local service innovation as funded outputs of community welfare organisations is an ongoing concern in the sector (ACOSS 1999: 29). The funding of peak bodies as the providers of policy advisory services is a curious reversal of this and Lyons (2001: 190) regards it as equally distorting of their role in the service system.

The questionnaire asked a series of questions about the effect of changed funding arrangements on broader organisational issues. These were identified through the literature review as being issues of ongoing concern to the community services sector. Respondent organisations were asked to rate a series of statements ‘strongly agree’, ‘agree’, ‘disagree’, ‘strongly disagree’ or ‘don’t know’. The question asked: ‘Thinking about your organisation’s current relationship with FaCS, please rate the following statements’. Approximately nine per cent of respondent organisations (average of 53) did not respond to this question at all. Seventy per cent of all non-responses were from childcare services. It is difficult to speculate why this might be.

Set out below are the general findings for all respondents as well as results of cross tabulations by organisational size, location, target population, service classification and program type.

In general, it would appear some of the earlier fears about the effect of the changed funding arrangements have not materialised although there appears to be differences by program area.

### **Policy contribution**

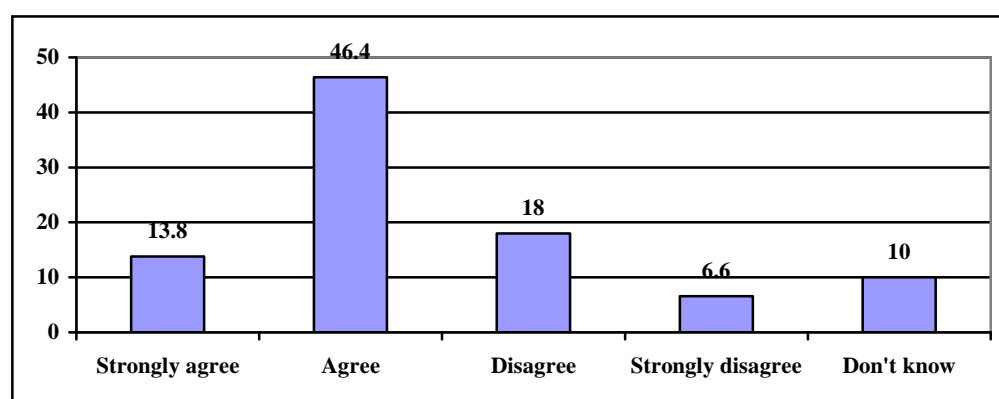
The ability of organisations to contribute to policy and program development through the identification of community needs does not appear to have been adversely affected

by the changed funding arrangements. In all, 60 per cent agreed or strongly agreed that ‘we are able to provide input into identifying community needs and policies’ (Figure 6).

There appears to be considerable program differences in relation to this question. Those organisations providing services under the Reconnect program (40 per cent) and the YAS program (27 per cent) *strongly* agreed they were able to provide input into identifying community needs and policies. One quarter of JPET providers felt locked out of the policy making process strongly disagreeing (Appendix B).

Peak organisations did not express any greater concern than other organisations about their ability to participate in policy development. Smaller organisations expressed less dissatisfaction about participating in needs identification and policy development than other organisations (2 per cent strongly disagreed compared to 8 per cent of medium sized organisations and 11 per cent of large organisations). Ethno-specific organisations felt strongly they were able to participate in needs identification (38 per cent compared to 13 per cent).

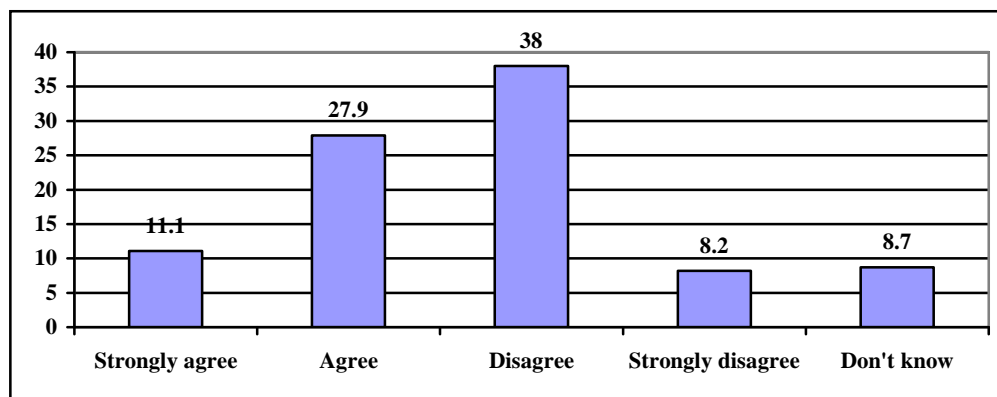
**Figure 6: ‘We are able to provide input into identifying community needs and policies’**



### Diversion of resources

There were, however, more varied views among respondents as to whether they ‘have diverted resources away from client services to meet reporting requirements’ (Figure 7). Forty-six per cent of respondent organisations disagreed with this statement whilst 39 per cent felt they had diverted resources away from client services. The diversion of resources away from service delivery was a strongly held concern of many community organisations and the variation among respondents about this suggests the effect may have been less than initially feared. The divergent views were most evident between those funded under the Emergency Relief program and those funded under Disability Employment and YAS programs. Those organisations providing services under the Emergency Relief program disagreed or strongly disagreed with the statement (58 per cent). Those funded under Disability Employment program (66 per cent) and YAS (59 per cent) strongly agreed or agreed that they had diverted resources away from client services to meet reporting requirements. This is likely to reflect the different reporting requirements and reform processes underway in these programs (see page 26).

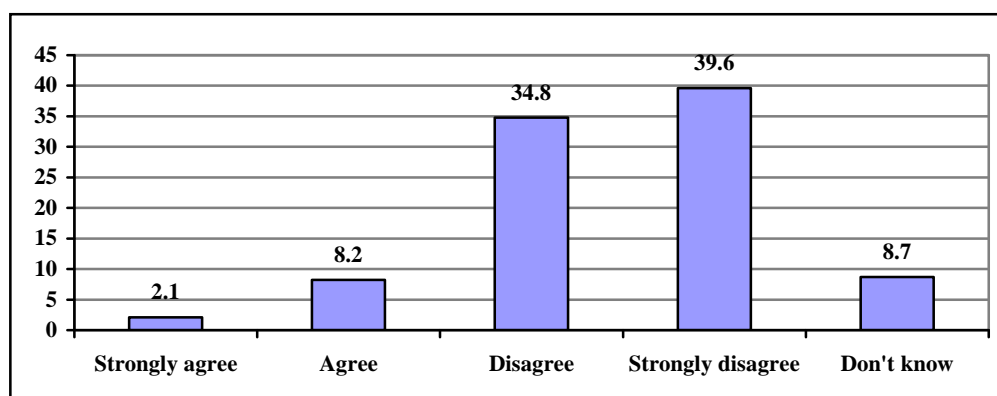
**Figure 7: ‘We have diverted resources away from client services to meet reporting requirements’**



### Clarity about relationship with government

The shift to contracting was accompanied by a desire to position governments more clearly as purchasers and ‘steering not rowing’. Coincidentally this would create greater clarity about the role of contracted organisations. Respondents, however, felt strongly that the changed funding arrangements had not provided greater clarity about their relationship with government and did not result in them no longer being dependent on government funding. Nearly three-quarters of all respondent organisations disagreed and some 40 per cent of respondents *strongly* disagreed with this statement. The desire to give greater clarity to the role of government (purchaser) and organisations (providers) was one of the driving forces behind the reforming of funding relations. They were also aimed at engendering greater entrepreneurial initiatives among contracted organisations and lessening their reliance on government funding. This would suggest the reforms have not achieved this, at least from the perspective of service providers.

**Figure 8: ‘We have greater clarity about our relationship with government and are no longer dependent on government funding’**



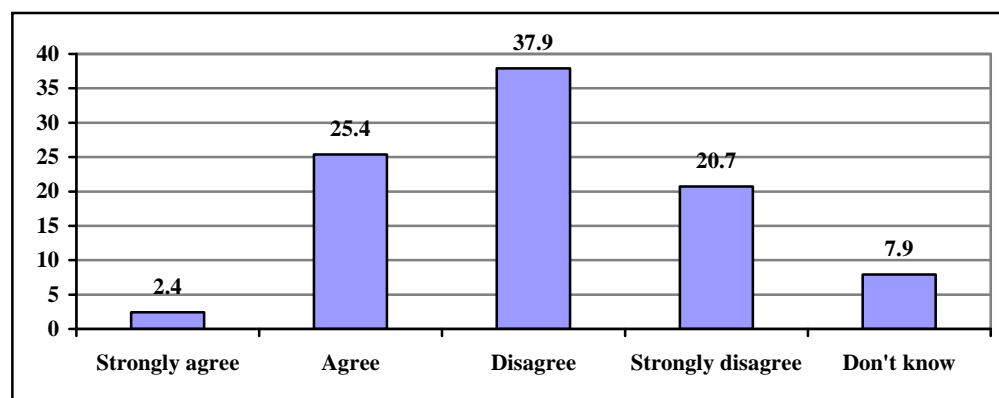
Those organisations providing services under the YAS (59 per cent) and Family Relationships (59 per cent) programs strongly disagreed with this statement (Appendix B). Those providing services in remote locations (51 per cent) and to ethno-specific communities (52 per cent) also strongly rejected the notion that they had greater clarity about their relationship with government and were no longer

dependent on government funding. Not-for-profit organisations (43 per cent) were more likely to reject this statement than for profit organisations (13 per cent), which is likely to reflect the different nature of the relationship between these organisations and the Department.

### Feedback about performance

Well over one half of respondents (59 per cent) expressed dissatisfaction with the feedback they received from the Department about their performance (Figure 9). A smaller group of approximately one quarter of organisations felt they did receive ongoing feedback, including those who received funds under the Stronger Families, YAS, Reconnect and Disabilities Services programs. Organisations providing Family Relationships (70 per cent), childcare (68 per cent) and Disability Employment services (64 per cent) were critical of the feedback they received from the Department (disagreeing or strongly disagreeing).

**Figure 9: ‘We receive ongoing feedback from FaCS about our performance’**

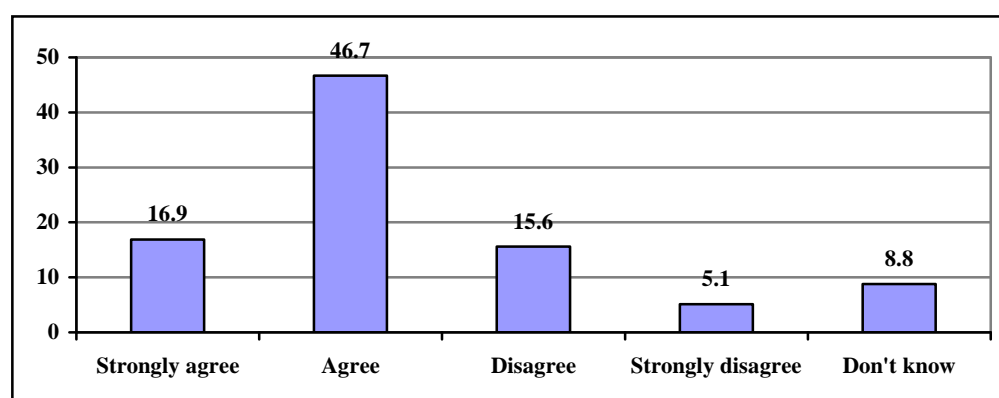


Those organisations classified as providing ‘financial and material assistance’ (46 per cent) expressed *strong* dissatisfaction with the feedback they receive from the Department, as did over one quarter of peak organisations (28 per cent). Mainstream services were twice as likely to ‘strongly disagree’ that they receive ongoing feedback from FaCS (22 per cent compared to 11 per cent) than non-mainstream organisations. This may reflect the greater support provided by the Department to non-mainstream organisations.

Larger organisations expressed greater dissatisfaction about the feedback they received from the Department than other organisations (70 per cent disagreed or strongly disagreed to this statement compared to 64 per cent of medium sized organisations and 52 per cent of small organisations). This suggests Departmental officers, possibly appropriately, give priority to smaller organisations.

### Advocacy for disadvantaged people

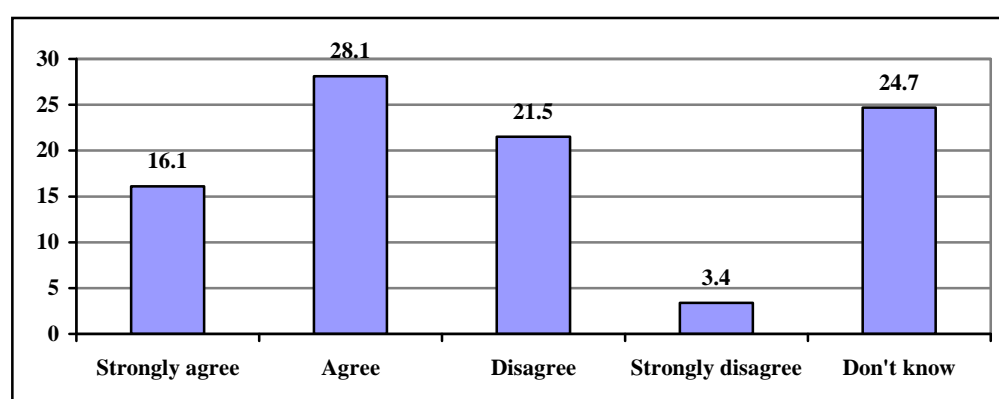
Another concern identified in the literature in relation to the changed funding arrangements was whether the ability of contracted organisations to advocate for disadvantaged people would be adversely affected by contracting. It was feared contracting would enable greater controls by grants administrators and policy makers on organisational activities. Allaying these fears, well over half of respondents (64 per cent) believed their advocacy activities had not been affected.

**Figure 10: ‘We remain able to advocate for disadvantaged people’**

Importantly, peak organisations indicated the changes had not affected their advocacy roles (72 per cent agreed or strongly agreed). A number of programs felt *strongly* they had maintained their advocacy role, particularly those organisations providing services under YAS (50 per cent) and Reconnect (33 per cent). Nearly one third (32 per cent) of organisations providing services under the Family Relationships program, however, disagreed with this statement (Appendix B). Ethno-specific organisations also felt strongly they had maintained their advocacy roles (38 per cent).

### Use of information

Forty four per cent of respondent organisations felt they were required to collect a lot of information that was not used (Figure 11). Importantly, however, nearly one quarter did not know whether the information they collected was used. This would suggest the need for greater communication about how information is used.

**Figure 11: ‘We collect and provide a lot of information that is not used’**

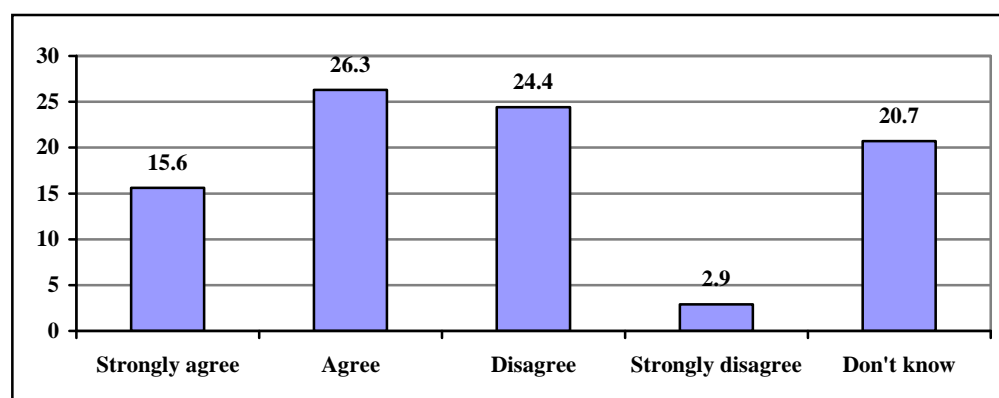
Well over half (61 per cent) of organisations providing services under the Disability Employment program agreed or strongly agreed that they collect and provide a lot of information that is not used. Those organisations classified as providing ‘financial and material assistance’ were much more likely to reject this statement (41 per cent disagreed or strongly disagreed) which may reflect the lower level of information provided by Emergency Relief providers. The belief that information collected and provided to the Department was not used grew with the size of the organisation (59 per cent of large organisations agreed or strongly agreed compared to 47 per cent of

medium sized organisations and 33 per cent of small organisations). Non-mainstream organisations were also more likely to *strongly agree* with this statement (ATSI 23 per cent and NESB 23 per cent) as were those operating in remote locations (24 per cent).

### Prevention and developmental work

With the move to outcome based funding there was concern within the community sector that preventative or early intervention programs, which have less tangible short-term outcomes, may be less of a priority for funding bodies. Bearing out this concern to some extent, over 40 per cent of respondents believed they were less likely to seek or receive funds for innovative prevention and development work (Figure 12). This was particularly the case for large mainstream training and employment providers receiving funds under the Disability Employment program (58 per cent of these respondents *agreed or strongly agreed* with the statement).

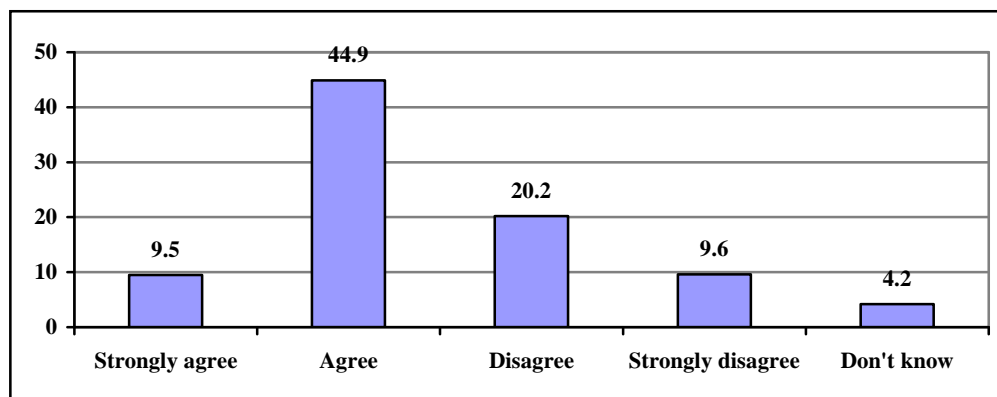
**Figure 12: ‘We are less likely to seek or receive funds for innovative prevention and development work’**



### Financial issues

In general, it would appear that financial effects of the changed funding arrangements have been less negative than the literature suggests. The move to a purchaser/provider framework appears to have encouraged organisations to budget more accurately for the services they provide. Over half (54 per cent) felt they now budgeted for and received the funds required to provide services to their clients. Aboriginal organisations, however, were more likely to *strongly disagree* with this statement (28 per cent compared to 8 per cent for non-Aboriginal organisations). Those organisations receiving funds under the Family Relationships program (58 per cent) and Disability Employment program (44 per cent) *disagreed or strongly disagreed* with this statement. The Family Relationships program core funding has been stagnant for a number of years with some organisations now drawing on reserves to remain viable. Those organisations providing services in remote locations were also more likely to *disagree* (41 per cent compared to 27 per cent).

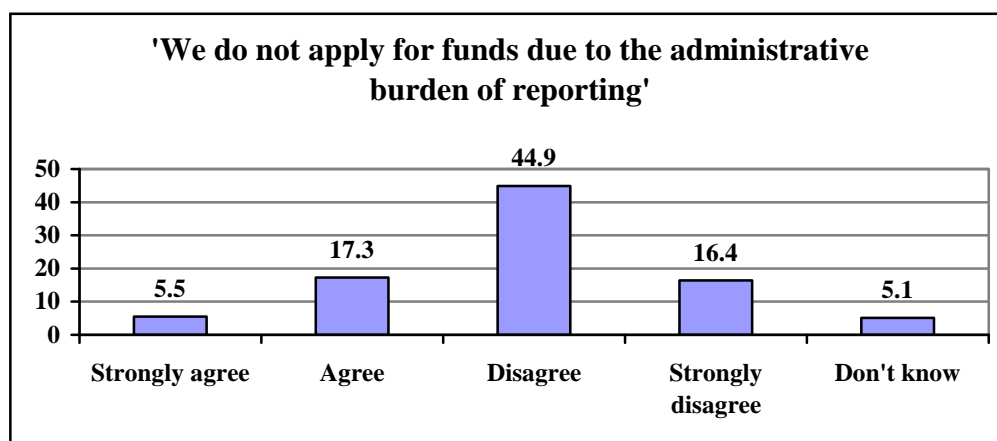
**Figure 13: ‘We now budget for and receive the funds required to provide services to our clients**



Additionally, as Figure 14 shows, the administrative burden created by reporting requirements has not deterred most organisations from applying for funds (61 per cent). In general, the larger the organisation the greater the agreement to this statement (76 per cent of large organisations compared to 62 per cent of medium sized organisations and 55 per cent of small organisations) suggesting administrative burden was more of an issue for smaller organisations. This differs from other findings in relation to the minimal impact of the changed funding environment on small organisations.

Over one third (36 per cent) of those funded under the YAS program *strongly disagreed* that the administrative burden had stopped them from applying for funds, as did those providing services under the Emergency Relief program (30 per cent)

**Figure 14: ‘We do not apply for funds due to the administrative burden of reporting’**



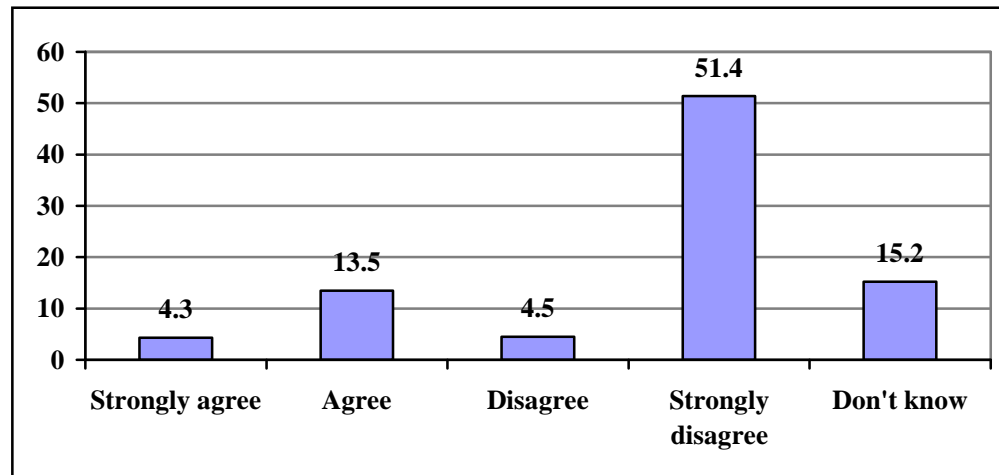
### ‘Mission drift’

The changed funding arrangements have been associated in the United Kingdom with what is termed ‘mission drift’. In Australia there is also concern among the community sector about the effect of contracting, etc. on the integrity of organisations, particularly their vision and purpose (McClelland 2002).



Figure 15 indicates that most respondents did not agree that the changed arrangements have affected their organisational vision. Over half of the respondent organisations (51 per cent) *strongly* disagreed with this statement.

**Figure 15: ‘We have been diverted from our vision and purpose’**



Aboriginal organisations, however, were more likely to *agree or strongly agree* that they had been diverted from their vision (35 per cent compared to 17 per cent). Those organisations classified as providing ‘training and employment’ were also more likely to agree or strongly agree (32 per cent). This perception may arise from the major reforms to approaches in training and employment services over recent years.

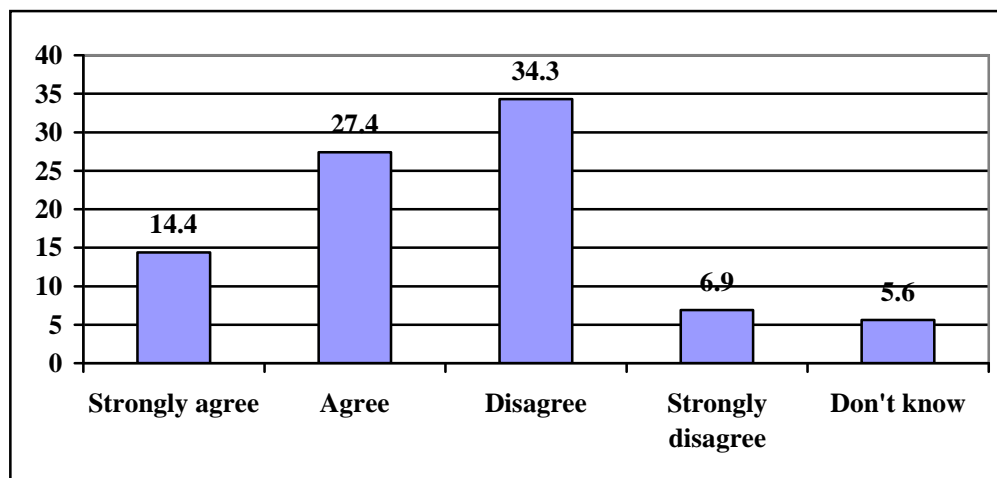
Some writers (see for example Sawyer and Jupp, 1996) argue that the changed funding arrangements are likely to have negative effects on the role of peak or resourcing organisations. Contradicting this, however, 92 per cent of organisations classified as ‘policy, service support and development’ *disagreed or strongly disagreed* that they had been diverted from their vision and purpose.

This was not the case for those receiving funds under the Family Relationships (28 per cent) and Disability Employment Program (32 per cent) who agreed or strongly agreed that the changed funding arrangements had diverted their organisations from its vision and purpose (Appendix B). These differences need to be considered by the Department in managing its ongoing reform agenda.

### **Competitive environment**

There were mixed views among respondents about whether changed funding arrangements encouraged organisations to compete rather than collaborate (Figure 16).

**Figure 16: ‘We are encouraged to compete rather than collaborate with other agencies’**



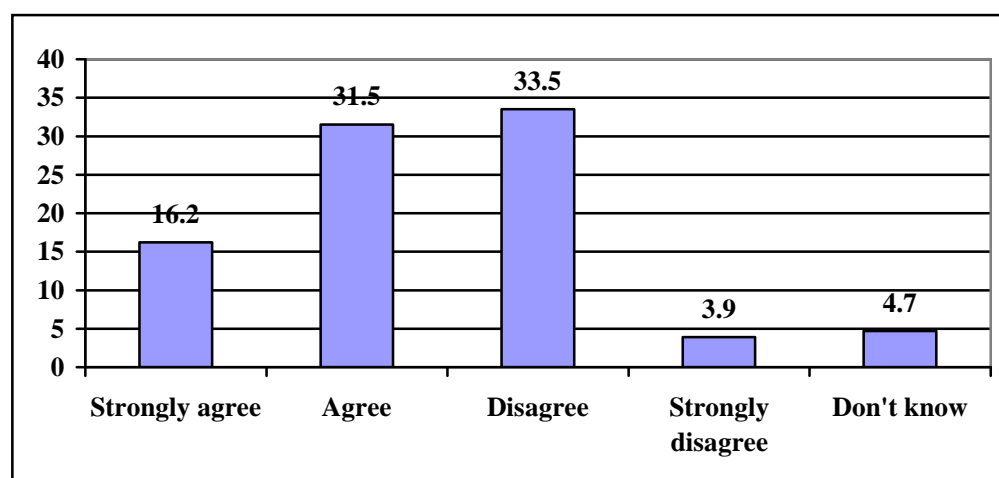
Those organisations classified as ‘training and employment’ agreed or strongly agreed they were encouraged to compete with other organisations rather than collaborate (65 per cent). Conversely, those providing ‘financial and material assistance’ (82 per cent) rejected the notion that changed funding arrangements had led to greater competition. These different experiences were consistent between funding programs. Organisations receiving funding under the Reconnect (40 per cent) and JPET (35 per cent) *strongly agreed* with this statement, which is considerable higher than the average of 14 per cent (Appendix B).

There appears to be a relationship between organisational size and experiences in relation to competition for funds. The larger an organisation was the more likely it was to agree that the changed funding arrangements had led to greater competition and less collaboration. This would suggest smaller organisations remain able to collaborate (and may do so out of necessity) but larger organisations are feeling more isolated from their peer organisations.

### **Community accountability**

The issue of Department accountability as against community accountability likewise drew a wide range of views among respondents. Nearly half of all respondents (48 per cent) believed they were now more accountable to the Department than to the community. Over one third (37 per cent) however disagreed with this statement.

**Figure 17: ‘We are now more accountable to the Department than the community**



Training and employment providers felt strongly they were more accountable to the Department than to the community (63 per cent). At the other end of the spectrum those organisations providing ‘financial and material assistance’ (64 per cent) and ‘policy, service support and development’ strongly rejected this claim. Supporting these findings, those organisations receiving funding under the Emergency Relief program (56 per cent) *disagreed* whilst those funded under the Disability Employment program (66 per cent) *agreed*.

Once again, size appears to affect agreement, with the larger the organisation the greater the belief that their organisations were more accountable to the Department than to the community.

### **Relationship between changed funding environment and stress**

A series of Chi-Square tests were undertaken to identify factors that may contribute to stress levels among respondent organisations. Stress levels were grouped as stressed (very stressed and stressed), neutral (neutral) and comfortable (very comfortable and comfortable) to ensure the tests were statistically robust. Cramer’s V tests were undertaken to establish the strength of the relationship.

It would appear that organisational stress levels are affected by the philosophical shifts embedded in the move to contractual funding arrangements. For example, collaborative service delivery, networking, referral, needs identification and problem solving have been strongly valued by not-for-profit organisations and there is a sense that new arrangements for allocating funding has undermined inter-agency co-operation. Those organisations who felt the current funding arrangements encouraged competition rather than collaboration experienced higher levels of organisational stress ( $p < .001$  Cramer’s V .395). Additionally, those respondent organisations who felt the new funding arrangements represented a shift in organisational accountability from community to funding body indicated higher levels of stress ( $p < .001$  Cramer’s V .326). The perception that contractual arrangements had diverted the vision and purpose of organisations also contributes to stress levels although to a lesser degree ( $p < .001$  Cramer’s V .278).

Organisational stress levels are also related to concerns about financial resources. Those who felt they 'diverted resources away from client services to meet reporting requirements' were also significantly more likely to report high levels of organisational stress ( $p < .001$  Cramer's V .295). Organisations who felt they did not receive the funds required to meet client needs were also more likely to be stressed ( $p < .001$  Cramer's V .228) as were those organisations who felt there were less funds available for preventative and developmental work ( $p < .001$  Cramer's V .217).

### Summary

The results create a complex picture of the effect of the contractual funding arrangements on contracted organisations' relationship with the Department. Contractual funding arrangements in many cases have not had the adverse effect anticipated in the literature. Despite questions about the impact of the purchaser/provider model on collaborative needs identification, most organisations feel they remain able to participate in the policy development process. Concern in the literature about the advocacy role appears not to be supported by these findings. The vast majority of respondent organisations felt their ability to advocate for disadvantaged people had not been impaired by the new funding arrangements. Importantly given the concerns expressed in the literature about the impact of contracting on peak organisations, those respondent organisations involved in 'policy, service support and development' felt their advocacy capacity was unimpaired. Two thirds of respondent organisations believed they *had not* been diverted from their vision and purpose by contractual arrangements. Respondent organisations were surprisingly positive about the budgetary impact of the changed funding environment, with more than half feeling they now budgeted for and received the funds required to provide services to clients.

Nearly half, however, felt they were more accountable to the Department than to the community under the new funding arrangements. The desire to create greater clarity about the role of the parties embedded in the purchaser/provider model had not been achieved according to the vast majority of respondent organisations. There was considerable ambivalence within the respondent organisations about the likelihood of receiving funding for preventative or developmental work and whether they were encouraged to compete rather than collaborate. There was considerable criticism of the feedback received from the Department among respondents as well as some concern about the utility of the information provided in reports.

There was a lot of diversity in views between programs. In general, those respondent organisations providing Disability Employment services expressed greater concerns than other organisations. The experiences of these organisations contrasts with those providing services under the Emergency Relief program who were generally more positive. This is not surprising given the different stages of the reform process in these programs. It would appear the relationship with the Department is more difficult for larger organisations than smaller organisations as are those providing services in remote settings.

There appears to be a relationship between organisational stress levels and the impact of changed funding arrangements on relations with the Department. The data suggests that a perception of being 'encouraged to compete rather than collaborate with other agencies' contributes to organisational stress levels. Also feeling 'now more

accountable to the Department than to our community’ also significantly affects organisational stress level.

#### **4.4 Not-for-profit sector-wide impact**

Strongly felt concerns continue to be held in the sector about the impact of the move to contracting. *Common Cause*, prepared by the Australian Council of Social Service (ACOSS) and the State and Territory Councils of Social Service (1999), puts a collective sector view of shortcomings in service delivery reform. At the centre of these shortcomings is the narrowing of the role of not-for-profit organisations to that of ‘provider’, denying their legitimacy as bodies with broader roles to identify needs and reflect the views of disadvantaged groups and the wider community more generally. According to this report, the sector sees governments as applying market concepts and models opportunistically and inconsistently, drawing on earlier funding models when it suits and funding only a ‘contribution’ to the costs of activities while imposing excessive demands for accountability. There is a strongly felt view that the drive for reform in community services has given too little recognition to the negative impacts of reform on community organisations. Among the harmful impacts cited are:

- reduction in the number of small local organisations, especially in rural areas, with consequent loss of choice for consumers;
- a loss of flexibility and innovation in the sector as governments specify the nature and distribution of services;
- the loss of functions previously undertaken on the basis of generic funding but not specified in service agreements, in particular advocacy, community development and gap-filling in local service networks; and
- a loss of cooperation and collaboration between organizations in an increasingly competitive inter-organisational ethos.

The sector is critical of what it sees as a focus on means rather than ends, and the neglect of long-term considerations of organisational diversity, sustainability, and the distinctive community foundations that give not-for-profit organisations their unique social capacities.

#### **Impact of changed funding arrangements on the not-for-profit sector**

The questionnaire explored the impact of changed funding arrangements on the broader sector as well as possible causes.

Set out below are the general findings for all respondents as well as results of cross tabulations by organisational size, location, target population, service classification and program type.

A substantial number of respondents did not respond to this question, particularly those from for-profit organisations and childcare services. It appears these respondents did not feel able to comment on the impact on the broader sector. It is possible that a number of the childcare services are local government authorities and as such may not see themselves as part of the not-for-profit sector. Accordingly, in Table 22 the percentage is of only those organisations that have answered.

Table 22 indicates that over half (58 per cent) of all respondents felt there had been a loss of small services due to the reforms. The data is very complex in relation to the types of services who agreed or disagreed that the changes had resulted in the loss of small services. Interestingly, small organisations were most likely to disagree with this statement and medium sized organisations most likely to agree. Those organisations providing services in regional and remote locations also agreed that the changes had resulted in a loss of small organisations. Those in rural locations were more likely to disagree. Aboriginal organisations disagreed (28 per cent compared to 16 per cent of non-Aboriginal organisations) whilst ethno-specific organisations agreed (62 per cent compared to 49 per cent non-ethno-specific organisations). There was strong support among organisations receiving funding under the Reconnect program (93 per cent), Disability Employment program (77 per cent) and YAS (68 per cent) for the statement.

Half of the respondents (50 per cent) disagreed that the changed funding arrangements had resulted in ‘more efficiency’ in the sector (Table 22). There were no marked differences in response by location, target group or size. Those most critical of the claim of ‘more efficiency’ received funds under the Disability Employment program (66 per cent). Those organisations classified as providing ‘training and employment’ services (61 per cent) and ‘policy, service support and development’ (56 per cent) were also critical of this claim.

Some 60 per cent of respondents agreed or strongly agreed that the changed funding arrangements had led to a lack of response to emerging needs (Table 22). Once again, medium and large organisations were more likely to agree than small organisations. These views were strongest among those organisations classified as ‘training and employment’ (69 per cent) and ‘policy, service support and development’ (60 per cent). Those funded under the YAS program (73 per cent) and the Disability Employment program (70 per cent) were most likely to believe there was a lack of response to emerging needs. Organisations providing services in remote communities were also concerned (60 per cent compared to 49 per cent of non-remote organisations) as were those whose primary clients were from non-English speaking background (62 per cent compared to 50 per cent of non ethno-specific organisations). This concern seems at odds with the earlier finding that contracted organisations have not been diverted from their vision and purpose. This suggests that for some organisations responding to emerging needs is not part of their vision or purpose, but the responsibility of government.

**Table 22: Effect on the broader sector of changed funding arrangements**

Loss of small services	Frequency	Percent
Strongly agree	105	20.0
Agree	199	37.9
Disagree	96	18.3
Strongly disagree	6	1.1
Don't Know	119	22.7
N	525	100
More efficiency		
Strongly agree	12	2.3
Agree	139	26.9
Disagree	208	40.2
Strongly disagree	56	10.8
Don't Know	102	19.7
N	517	100
Lack of response to emerging needs		
Strongly agree	79	15.3
Agree	237	45.7
Disagree	102	19.7
Strongly disagree	54	10.4
Don't Know	92	17.8
N	518	100
Better targeting		
Strongly agree	17	3.3
Agree	137	26.6
Disagree	205	39.8
Strongly disagree	54	10.5
Don't Know	102	19.8
N	515	100
Growth of large organisations		
Strongly agree	120	23.0
Agree	213	40.9
Disagree	63	12.1
Strongly disagree	9	1.7
Don't Know	116	22.3
N	521	100
Greater caution in advocacy		
Strongly agree	35	6.8
Agree	207	40.3
Disagree	87	16.9
Strongly disagree	11	2.1
Don't Know	174	33.9
N	514	100

**Table 22: continued**

New opportunities for organisations		
Strongly agree	5	.9
Agree	152	29.2
Disagree	184	35.4
Strongly disagree	56	10.8
Don't Know	113	21.7
N	520	100
Increasing gap between community needs and service provision		
Strongly agree	114	21.6
Agree	227	43.1
Disagree	105	19.9
Strongly disagree	12	2.3
Don't Know	69	13.1
N	527	100
Reduction in overall funding		
Strongly agree	118	22.7
Agree	174	33.5
Disagree	118	22.7
Strongly disagree	7	1.3
Don't Know	103	19.8
N	520	100

Over half of the respondents (54 per cent) agreed or strongly agreed that the changes had led to the growth of large centralised organisations (Table 22). Interestingly, support for this claim reduced with organisational size (small 48 per cent, medium 58 per cent and large 63 per cent). Policy, service support and development organisations most strongly supported the claim that the changes had led to larger more centralised organisations (76 per cent) although it was also supported by employment and training organisations (73 per cent). The perception was particularly strong among those receiving YAS funding (50 per cent *strongly* agreed). The vast majority of those organisations funded under the Reconnect program (93 per cent) and the Disability Employment program (76 per cent) felt the changes had led to the growth of large organisations. Childcare organisations, conversely, expressed least support for this notion (43 per cent). There was little difference by location. Aboriginal organisations were more likely to disagree with the claim of increased size and centralisation (23 per cent compared to 11 of non-Aboriginal organisations).

Over half (55 per cent) of organisations felt the changes had resulted in an increasing gap between community needs and service provision (Table 22). Location and size appear to have little or no impact on organisations opinions. Organisations classified as 'training and employment' (74 per cent) and 'policy, service support and development' (72 per cent) expressed most concern about the perceived increasing gap. Those organisations funded under the Disability Employment program (76 per cent) and YAS (68 per cent) agreed or strongly agreed that the changes had resulted in an increasing gap between community needs and service provision. Ethno-specific



organisations were also concerned about this gap (71 per cent compared to 54 per cent of non ethno-specific organisations).

Funding is just not enough to cover help or assistance to people. Being a rural/remote area of cover fuel costs more as does bread/milk etc. Distances between towns are greater. Having to give extra help for this reason.

The child care sector has not experienced the vast changes in funding that many other community organisations have had; therefore this service (Family Day Care) has had stability in planning and service delivery. I fear this will not be the case for much longer and am apprehensive about viability in the long term.

New services with innovative work practices find it difficult to access funding. Core funding for services is an issue for most community services which makes it difficult for community groups to survive. Big org does not mean that they are better in delivering services. Small/new services bring new directions as they have identified gaps.

Although organisational size appears to have little impact on respondent's views, the experiences of small organisations are skewed by the dominance of childcare providers. Small organisations providing other services were generally more concerned about the impact on the broader sector than childcare providers. For example, 32 per cent on small childcare providers were concerned about the loss of small organisations compared to 46 per cent of other service providers. This highlights the important role played by service type and program in shaping organisational experience.

A series of Chi-Square tests were undertaken to identify whether there was any relationship between perceptions of the impact of changed funding environment on the wider sector and organisational stress levels (Table 23). Stress levels were grouped as stressed (very stressed and stressed), neutral (neutral) and comfortable (very comfortable and comfortable) to ensure the tests were statistically robust. Cramer's V tests were undertaken to establish the strength of the relationship.

**Table 23: Relationship between organisational stress and changed to the broader sector (Significance and Cramer's V calculations)**

Change to broader sector	<i>p</i>	Cramer's V
Loss of small organisations	< .001	.351
More efficiency (disagree)	< .001	.375
Lack of response to emerging needs	< .001	.357
Better targeted funding (disagree)	< .001	.358
Growth of large centralised agencies	< .001	.207
Caution in advocacy	< .002	.137
New opportunities for organisations (disagree)	< .001	.300
Increasing gap between community needs and service provision	< .001	.355
Reduction in overall funding	< .001	.322

As Table 23 indicates there appears to be statistically significant relationships between stress levels and perceptions of the impact of the changed funding environment on the broader community services sector, particular in relation to organisations ability to address their clients needs. Of strongest concern would appear to be the perception of an increasing gap between community needs and service provision and the lack of response to emerging needs. Concern about the reduction in overall funding also significantly contributed to stress levels, as was the perception that the changes had resulted in a loss of small organisations. Organisations feeling stressed were also less likely to believe the changes had resulted in 'more efficiency', better targeted funding and new opportunities for organisations. Interestingly, whilst caution in advocacy was significantly related to stress it was not as strongly influential as other factors.

### **Difficulties with changed funding arrangements**

Some contracted organisations have found the transition to new funding arrangements extremely difficult. Prior to government driven reforms many contracted organisations had developed systems of performance measurement and data collection specific to their particular areas of activity and organisational needs and question the relevance of information required by funding government departments, the appropriateness of the indicators used in funding agreements and how performance is to be measured. One consequence of development at this level, however, is a lack of consistency and comparative capacities in the sector as a whole.

The House of Representatives Standing Committee (1998: xv, xx, 49-51, 71) Report also identified the specification and management of performance as a key weakness in present development of competitive service delivery arrangements, noting as issues the robustness of indicators of outcomes and outputs, un-coordinated approaches to standards and quality assurance mechanisms, and limited expertise in performance monitoring.

The questionnaire asked respondents' their opinion on the possible cause of contracted organisation's difficulties with the changed funding arrangements. Table 24 indicates that the difficulty measuring outcomes (48 per cent) was thought to contribute to the transitional problems experienced with the changed funding arrangements. This is likely to refer to the social capital, community development and preventative activities that not-for-profit organisations undertake. Interestingly, in the United Kingdom policy makers have abandoned price competitive tendering and moved to a 'best value' approach because of the difficulty of quantifying the benefits and costs of these types of activities. The perception of poor government administration of the changes (44 per cent) is likely to contribute to the fear and uncertainty (42 per cent) that some organisations experienced. There was also recognition among respondents that the lack of internal systems in some organisations (42 per cent) made the transition to the changed funding arrangements more difficult. Interestingly, only one quarter of respondents (25 per cent) attributed the difficulties to philosophical or political objection, which runs counter to some of the views expressed in the literature.

**Table 24: Possible causes of contracted organisation's difficulties with changed funding arrangements**

Issues	Frequency <sup>1</sup>	Percent
Lack of internal systems	259	41.6
Philosophical objection	158	25.4
Lack of consultation	246	39.5
Difficulty measuring work of NGOs	301	48.4
Fear and uncertainty	262	42.1
Greater requirement for numerical skills	247	39.7
Cynicism	211	33.9
Poor government administration	275	44.2
Move to time limited funding	212	34.0
Total		100
Note: <sup>1</sup> More than one answer possible. Percentage is of total sample of 623		

Seventy per cent of those organisations classified as providing 'personal and social support' thought the difficulty measuring the work of contracted organisations contributed to transitional problems compared to 48 per cent of other organisations. Large organisations and those operating in remote locations were more likely to identify the measurement difficulties of community services. Ethno-specific organisations also felt outcome measurement was an issue (76 per cent compared to 47 per cent). There was widespread support for this concern across funding programs, however, it was particularly important for those funded under Reconnect (80 per cent), YAS (77 per cent) and Family Relationships (70 per cent) programs.

Larger organisations were more likely to attribute some of the difficulties experienced by contracted organisations with the changed funding arrangements to poor government administration. Those organisations classified as providing 'training and employment' services (55 per cent), 'personal and social support' (53 per cent) and

‘policy, service support and development’ (48 per cent) thought some of the difficulties were caused by poor government administration. Poor administration was most often noted by those receiving funds from the Reconnect (67 per cent), YAS (64 per cent), Family Relationships (59 per cent), Disability Employment (57 per cent) and the Stronger Families (56 per cent) programs. Ethno-specific organisations also felt that the difficulties were at least partly caused by poor government administration (57 per cent compared to 44 per cent).

### **Summary**

In contrast to the diversity of effects of the changed funding arrangements on respondent organisations, there appeared to be a much greater level of agreement about the adverse impact on the broader community services sector. Significant numbers of respondents expressed the same opinion on all effects with the exception of whether the changes had created new opportunities for organisations. There is clearly a perception among respondents that the changes have been adverse at a broad level even if this has not necessarily been their experience in relation to their own organisations.

Many respondents felt strongly that the changed funding environment had negatively affected the broader community services sector. Over half of responding organisations felt there had been a loss of small organisations (although this was not necessarily supported by the small respondent organisations) and a corresponding growth in large organisations. Respondents also expressed concern about the lack of response to emerging needs, increasing gap between community needs and service provision and a reduction in overall funding levels. They felt strongly that the changes had not resulted in greater efficiency or better targeting of services. They were more ambivalent about whether the changes had resulted in new opportunities for organisations. Over a third of respondents were unsure whether the changes had resulted in greater caution in advocacy, suggesting there was some uncertainty in the field about this.

Concern about the impact of changes on the broader sector appears to underlie organisational stress levels. Of particular concern is the inability of organisations to respond to and meet community needs. Addressing these issues pose great challenges to the Department.

The respondents felt that the difficulty measuring the work of contracted organisations contributed to transitional problems to the new funding arrangements of some organisations. Poor government administration and the fear and uncertainty created by the changes also were viewed as contributing to the transitional problems.

### **4.5 Moving forward**

In 1998 the House of Representatives Standing Committee on Family and Community Affairs called for a halt in further contracting out of welfare services until a suitable framework could be developed to assess the appropriate limits of contestability in each area of service delivery. The Committee noted that contracting out of service delivery had become widespread in Australia and cited a lack of detailed knowledge about the scope and level of contracting welfare services, questions about the role of government in setting standards and monitoring performance, and questions about the ability of government to measure effectiveness and efficiency of new service delivery

arrangements. It found a diversity of evidence on the impacts of contracting out and competitive tendering on accountability, service quality, and impacts on the community service organisations, and a lack of hard evidence on the costs of service provision. The role of volunteers, and the impact of contracting and competitive tendering on small organisations and organisations and rural and regional areas were areas of particular concern.

At the same time the sector remains critical of what it sees as a focus on means rather than ends, and the neglect of long-term considerations of organisational diversity, sustainability, and the distinctive community foundations that give not-for-profit organisations their unique social capacities. Contracted organisations providing services have by now had substantial experience of funding by contract and/or tender, and the peak bodies representing them have gained sophistication in discussion of the accountability and reporting requirements associated with it. While the not-for-profit sector views continue to focus mainly on the broad concerns of third sector autonomy, diversity, and integrity, there is increasing recognition of the separation of purchaser and provider, funding agreements specified in terms of outputs and/or outcomes, and contractually defined performance monitoring as settled realities in relationships between government and not-for-profit sectors.

The questionnaire asked respondents ‘how important do you think the following issues are to the effectiveness of the sector’ and listed eight potential reforms to the relationship between government and not-for-profit organisations. Approximately 20 per cent of respondents did not answer this question, particularly childcare providers and for-profit organisations. This is likely to reflect their lack of involvement in not-for-profit sector networks in which reforms would be discussed.

Set out below are the general findings for all respondents as well as results of cross tabulations by organisational size, location, target population, service classification and program type.

### **Future reforms**

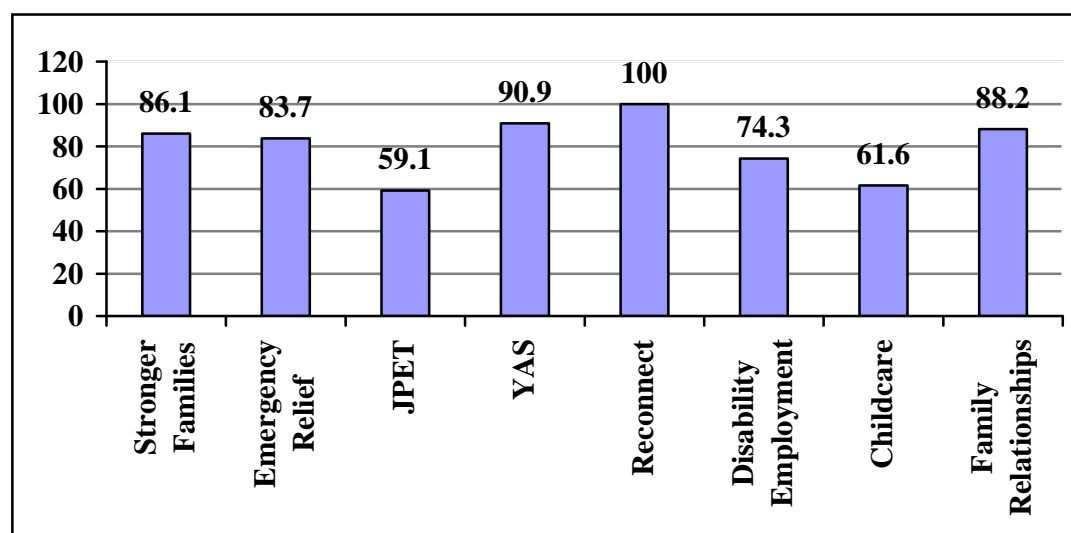
It would seem that issues relating to funding were of greatest concern for respondents. The vast majority of respondents to this question (81 per cent) viewed increased funding levels as very important. Longer funding cycles (62 per cent) and transparency in terms of tenders (59 per cent) were also viewed as very important by nearly half of all respondents. Respondent organisations did not view moving towards some form of formal agreement between the government and not-for-profit sector as the highest priority (54 per cent). Interestingly, most respondents thought the frequency of reporting (33 per cent) was a lower reform priority.

**Table 25: Potential future reforms**

Issue	Very important		Important		Not important	
	Frequency	Percent <sup>1</sup>	Frequency	Percent <sup>1</sup>	Frequency	Percent <sup>1</sup>
Formal agreement	280	54.2	221	42.7	16	3.1
Longer funding cycles	325	61.8	158	30.0	43	8.2
Frequency of reporting	174	33.1	312	59.3	40	7.6
Stability of requirements over time	247	47.5	256	49.2	17	3.3
Dialogue about meaningful measures	254	48.6	247	47.3	21	4.0
Transparency in terms of tenders	306	59.5	189	36.7	19	3.7
Increased funding levels	435	81.3	88	16.4	12	2.2

Note: <sup>1</sup> Percentage of those who responded

A number of responding organisations felt very strongly about the importance of increased funding levels. The vast majority of peak organisations (88 per cent), remote organisations (82 per cent) and ethno-specific organisations (81 per cent) viewed increased funding levels as very important. Interestingly, the support for increased funding levels was greatest among larger organisations (81 per cent) compared to medium sized organisations (71 per cent) and small organisations (65 per cent).

**Figure 18: Support for increased funding levels by program**

Longer funding cycles were very important to over two thirds of all respondent organisations in all programs except childcare (42 per cent), JPET (55 per cent) and Emergency Relief (61 per cent). Both childcare and Emergency Relief providers

appear to be on rolling recurrent contracts so funding cycle length may be less important to them. Longer funding cycles, however, were particularly important for those receiving funding under the Reconnect program (93 per cent) and YAS (86 per cent). Remote (66 per cent) and regional (62 per cent) organisations also thought longer funding cycles were very important. Organisations involved in ‘policy, service support and development’ felt longer cycles to be very important (72 per cent), as did those organisations providing services to ethnic communities (76 per cent). Smaller organisations thought longer funding cycles were less important than larger organisations (39 per cent compared to 57 per cent for medium sized organisations and 71 per cent for larger organisations).

Longer funding cycle is major issue. Need more than one year to prepare strategic plan, hire/retain staff, etc. (3 year funding contract would be more appropriate.)

Transparency in the tendering process was seen as very important by peak organisations (72 per cent), ethno-specific organisations (67 per cent) and remote organisations (61 per cent). This was more of an issue for large organisations (71 per cent) than medium sized organisations (52 per cent) and small organisations (35 per cent).

**Figure 19: Support for greater transparency in tender process by program**

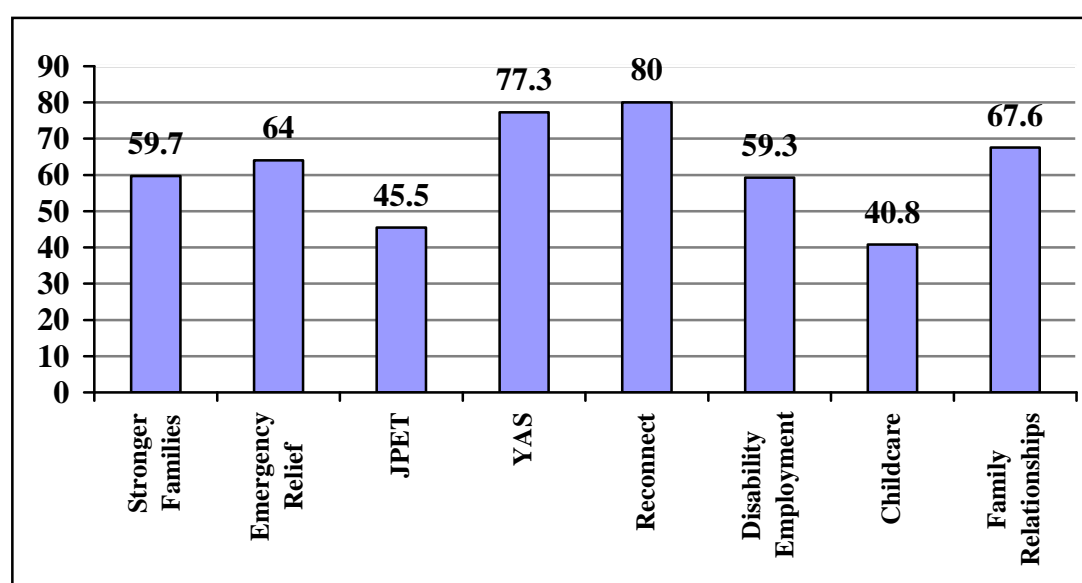


Figure 19 indicates that there is some diversity in respondents’ experiences according to the type of program they provide services under. Transparency in terms of tenders appears to be a very important issue for those providing services under the Reconnect program and the YAS program. It is less of an issue for those providing childcare services and JPET services.

Support for a formal agreement between the government and the not-for-profit sectors was highest among those providing services under the Reconnect program (60 per cent), Disability Employment program (56 per cent) and YAS program (55 per cent). Over half of ethno-specific organisations (57 per cent) and peak organisations (56 per cent) thought some form of formal agreement was very important. Support for a

formal agreement was strongest among larger organisations (58 per cent compared to 50 per cent of medium sized organisations and 37 per cent of small organisations). It seems likely that these organisations are seeking some form of agreement to address the philosophical shifts embedded in the move to contracting.

### Standardisation of reporting requirements

Another issue of reform explored in the questionnaire was the standardisation of reporting requirements. In general, respondent organisations were positive about the potential outcomes of moving towards greater standardisation in reporting requirements. There was a strong belief among respondent organisations that increased standardisation would result in increased service delivery (51 per cent). This is clearly linked to respondent organisations' feelings that reporting requirements had increased over recent years and was time consuming. Respondents also felt standardisation would make administration of grants easier for both government and contracted organisations (43 per cent). A minority of respondent organisations were concerned about some of the pitfalls of standardisation such as less flexibility (29 per cent), greater reliance on numbers (24 per cent) and a reduction in useful data (26 per cent).

**Table 26: Outcome of standardisation between funding programs**

Standardisation	Frequency <sup>1</sup>	Percent
Increased service delivery	317	50.9
Less flexibility	181	29.0
Improved quality of information	222	35.6
Greater reliance on numbers	147	23.6
Improved government planning	186	29.9
Easier administration for government and non-government agencies	265	42.5
Reduction in useful data	160	25.7
		100
Note: <sup>1</sup> More than one answer possible. Percentage is of the total sample of 623.		

Organisations classified as 'policy, service support and development' (35 per cent) and those providing 'financial and material assistance' (36 per cent) expressed reservations about whether the standardisation of reporting requirements would result in 'increase service delivery due to reduction in cost of reporting requirements'. Peak organisations were particularly concerned standardisation would result in the loss of flexibility and tailoring of reporting requirements to specific programs (64 per cent). They were also concerned standardisation may result in a 'reduction in meaningful data on services and clients' (50 per cent). This concern was shared by most Aboriginal organisations.



## **Summary**

The three issues for potential reform that received greatest support from respondents all related to financial aspects of relations between government and contracted organisations. Some 81 per cent of respondents felt that increased funding levels were very important to the effectiveness of community services. This possibly reflects concerns expressed earlier about the growing gap between community need and service provision and the lack of response to emerging needs. Respondents also felt longer funding cycles and greater transparency in terms of tenders were very important to the effectiveness of the sector. Interestingly from the perspective of this research, most respondents did not view the frequency of reporting as high priority or 'very important'. This supports the views found in the literature that reporting and accountability requirements were now a settled reality among non-government organisations.

Many respondents felt service delivery would increase if reporting requirements between government departments were standardised. On the other hand some concern was expressed by 'policy, service support and development' and Aboriginal organisations that standardisation would result in a 'reduction in meaningful data on services and clients'.

## 5 Discussion

This research has highlighted the complexity of relations between government and non-government (both for-profit and not-for-profit) organisations. Through focusing on one aspect of that relationship – contractual reporting and accountability requirements - it has challenged some of the ‘common sense’ assumptions and reform hopes about the impact of contracting, the purchaser/provider split and competition policy. Key to the research was the concept of ‘reporting burden’, conceived as relating to cost, time, frequency and relevance. It has revealed a diversity of experience shaped considerably by program type. The aim of this discussion is to highlight what is known from the research and what this might mean for government and non-government relations, and to pose questions that require further investigation.

The organisations that responded to the questionnaire provide insight into the range of experiences of organisations delivering FaCS programs, influenced strongly by organisational type and funding program. Caution should be exercised in generalising from these findings to all organisations providing FaCS programs or the broader community sector due to the specificity of the sample and the nature of responding organisations. There is, however, among the respondent organisations a great deal of diversity in type, location, population target and other variables as well as a great deal of diversity in terms of experiences. This suggests that despite the limitations of the study the findings do provide some important insights into experiences of organisations of the shift to contracting.

The responding organisations in many ways reflected the multiplicity and complexity of the community sector. The respondent organisations ranged in size, with some employing over 3,000 full time staff and others employing no full-time staff. Two-thirds of organisations were small-to-medium sized organisations (with annual incomes less than \$1m). There was strong participation by rural, regional and remote organisations in the research, providing a good opportunity to explore the impact of geography on organisational experiences. Whilst the majority of organisations had access to volunteers, few had access to large numbers, with the median number of volunteers being seven per organisation. It would seem likely that some of these volunteers were involved in organisational management rather than service delivery functions. The vast majority were operating on a not-for-profit basis, despite concerns about the increasing ‘marketisation’ of community services. For profit organisations were not limited to the provision of childcare services, however, but provided services under all programs except Emergency Relief, YAS and Reconnect.

One of the most important findings of the research, in terms of the profile of key personnel in organisations providing services on behalf of FaCS, was the substantial experience and expertise among the respondents. There is ongoing concern within the community services sector about its ability to maintain experienced and qualified staff in the context of job insecurity and poor salary levels. Yet over half of respondents had been employed in their current job in excess of four years and 40 per cent had been employed in the sector for more than 10 years. This longevity does not suggest a sector facing a staffing crisis, at least in managerial positions. Respondents were also a highly qualified group, with 42 per cent having a bachelor degree and a further 24 per cent having a post-graduate management or business qualification.

The complexity of the funding environment in which contracted organisations operate was reflected in information gathered about program type. Over one quarter of the organisations provided services under more than one FaCS program. Many organisations appeared to be ‘mixing and matching’, for example providing childcare, JPET and Stronger Families services. When organisations provided services under more than one FaCS program the reporting requirements of the various FaCS programs were ‘substantially different’. Those most affected by internal FaCS reporting differences were supportive of reforms that led to greater standardisation in reporting requirements.

Nearly six out of 10 organisations had two or more contracts or agreements with government agencies. This was particularly the case with newer programs such as Reconnect, YAS and Stronger Families. Over two-thirds of providers of older FaCS programs such as Emergency Relief and Childcare dealt exclusively with the Department. This is likely to shape their experiences of reporting and accountability requirements, with few organisations providing services under either of these programs indicating high levels of stress or concern about the impact of accountability requirements.

Among respondents, reporting and accountability requirements were concentrated within specific organisations, shaped particularly by program. The vast majority of organisations (85 per cent) were required to provide at least financial reports on their funding, although predominantly on a yearly basis. As the production of yearly accounts is a requirement of any enterprise, this would be unlikely to create additional ‘burden’. Six out of 10 organisations were required to provide reports on performance, either on a half yearly or yearly basis. Just over one-half were required to provide client data and only 39 per cent were required to provide work plans.

There would appear to be strong within program differences as well as between-program differences shaping organisations’ experiences. Organisations providing services under the same program indicated a wide range of reporting requirements. For example, organisations providing YAS services indicated they were required to provide performance reports on a monthly (14 per cent), quarterly (23 per cent), six monthly (36 per cent) and yearly (41 per cent) basis. This diversity is to some extent explained by the tailoring of contracts to specific situations by the Department. Such diversity of requirements, however, creates additional complexity for the Department in terms of the information it receives about program activities. It would seem greater streamlining of requirements is worthy of further investigation by the Department. The research appears to support the concerns expressed by the House of Representatives Standing Committee (1998) about the poor management of contracts and the poor ability of government agencies to properly use the information they require providers to collect.

It would appear that reporting burden is concentrated among the newer Departmental programs. Those organisations providing services under Reconnect clearly had the greatest level of reporting requirements. Another youth program, YAS, also had substantially higher levels of reporting requirements than the remainder of programs. Whilst only 59 per cent of all responding organisations were asked to provide any form of client data, 60 per cent of organisations providing Reconnect services were required to provide *monthly* client data. Interestingly, however, organisations providing services under both Reconnect and YAS are generally more positive about

the impact of reporting on the functioning of their organisation. This would suggest that the nature and quality of the information gathered by these programs is internally more useful than that required of other programs.

Those providing services under the Disability Employment program were feeling highly stressed and reporting burden (particularly in relation to client data requirements) appears to contribute to this stress. Over one third of these organisations allocated in excess of eight days per month to the collection and reporting of client data although they were only required to provide data reports yearly. It would seem highly likely, however, that other reform processes are also contributing to stress levels among these organisations. These organisations appeared particularly concerned about the philosophical shifts embedded in the shift to contracting and the changed funding environment.

There appear to be marked differences in the experiences of older and newer programs. Traditional Departmental programs such as Emergency Relief and Childcare reported lower levels of accountability requirements and lower levels of difficulties with the changed funding environment. To date there has been very little reform of the management of the Emergency Relief program. Childcare service providers expressed concern about the manner in which the Child Care Benefit was administered by the Family Assistance Office, but had few problems with their relationship with FaCS. It would appear that a number of childcare providers received broadband funding on a recurrent basis and were not required to enter into yearly contracts or agreements. In some cases the one contract the childcare provider entered into related to another FaCS program, not their primary role. The Family Relationships program is an exception being an older program that is experiencing considerable stress, possibly due to anxiety about future change and financial stress caused by the lack of core funding increases.

There was some expectation that those organisations providing services under the Emergency Relief program would have greater difficulties with reporting and accountability requirements, given their reliance on volunteers and the very small amount of funds available for the administration of those funds. The research, however, consistently found Emergency Relief programs to be experiencing fewer problems than other programs. Two-thirds of these organisations, however, signed only one contract or agreement with government in the last 12 months, suggesting they were predominantly small stand-alone organisations. They were not required to provide work plans, client data or performance reporting, and mostly provided only annual financial reports. The lack of concern or stress expressed by these organisations is understandable in this context. There appears, therefore, to be little interest among these organisations in changing the way they operate. They expressed little interest in improving their information technology resources or building a stronger support relationship with the Department. From a Departmental perspective, this would suggest reform of the way these organisations provide services will be difficult. Facilitating cultural change when there is no recognition of the need for change is a difficult task.

Among these respondent organisations location appears to have played little or no part in organisation's experiences, allaying concerns about the impact of the changed funding environment on non-metropolitan organisations. There were surprisingly few differences by location, although organisations providing services in remote locations

were slightly more likely to express concerns than other organisations. It was expected that geographic isolation from training and seminar opportunities, networks and the Department might increase the difficulties faced by non-metropolitan organisations. The absence of these differences may reflect improved access to information technology. It also suggests that Departmental administration is either not affected by geography or is responding appropriately to geographic differences.

The research suggests that the effect of reporting and accountability requirements on community service providers is much more complex than either the literature or sector advocacy suggests. In general, it would appear that most organisations have adapted well to the changed funding environment in which they now operate. Concerns about reporting requirements were fewer than expected and not as important as a range of other issues. There appears to be recognition among most respondents of the need for accountability processes, although there is some disagreement about the form this may take. There was a strong belief that the difficulties some not-for-profit organisations experienced with the changed funding environment arose from the difficulty of ‘measuring’ aspects of their work.

From a reform perspective, however, there is little evidence to suggest that changes have achieved their goals. Whilst there was acknowledgement that the reporting and accountability requirements had improved public accountability, the reforms had not achieved a greater focus on client services or increased efficiency. In fact, most organisations felt the reforms had ‘made little difference’ to their organisation’s management and operation. The lack of enhancement of planning, targeting and governance would appear to be a major shortcoming of the reforms. This is despite considerable goodwill among respondent organisations towards improving their working relationship with the Department.

Whilst in general organisations have adapted well to the changed funding environment there remain significant levels of stress within the sector. Whilst the level had halved since the reform process commenced, there remain only some 15 per cent of organisations that are comfortable or very comfortable with the changed funding environment. It would appear, however, that organisational stress relates not to reporting burden but to the philosophical or cultural shift embedded in the changed funding arrangements. Those organisations providing services under the JPET program provide an interesting insight into the relationship between reporting and organisational stress. These organisations reported a relatively high reporting burden, with one-third providing quarterly financial reports and 43 per cent allocating in excess of eight days per month to the collection of client data. These organisations nevertheless reported one of the lowest levels of stress. The clash between the values held strongly by those who work in community organisations and the ethos of competition appears to make a more significant contribution to this stress. Of particular concern to some organisations is the way in which competition undermines collaboration, which has historically been the mode of practice of the community services sector.

Size appears to be positively correlated with reporting burden, with larger organisations expressing greater concerns about the negative impact of reporting and accountability requirements. Among these respondents, smaller organisations do not appear to be ‘swamped’ by reporting and accountability requirements, although this may be a manifestation of their service type and funding program. On most issues

smaller organisations were more positive than larger organisations. Among these respondents the majority (60 per cent) of small organisations (less than \$250,000 annual income) were providers to childcare services. Some 20 per cent of small organisations providing childcare services indicated they were 'stressed' or 'very stressed' now by the changed funding arrangement compared to over one third (36 per cent) of other service types. A similar trend was evident in other questions such as the effect of the changes on the broader sector. This once again supports the significance of service type and funding program in shaping organisational experiences.

It would appear that organisations with multiple reporting requirements from various funding programs experienced the greatest level of stress. Multiple funded childcare providers were the exception, indicating some degree of similarity between reporting requirements of various programs. Whilst six out of 10 organisations indicated they had multiple reporting requirements, larger organisations indicated greater differences between requirements. This supports the earlier work of Barber and Eardley (2000) that documented the difficulties created by multiple funding reporting requirements among large organisations. It adds to this picture, however, by suggesting that smaller organisations are coping reasonable well with their current requirements. This is an important finding as it allays some of the concerns about contracting and its impact on smaller organisations. Bearing in mind that most respondent organisations providing services in rural settings were either Childcare or Emergency Relief services, it may be that these findings reflect program type rather than geography. Neither childcare nor Emergency Relief providers have an active community development role, making them more readily adaptable to contractual arrangements.

The literature identifies significant and ongoing concern among community service organisations about how contracting would affect their traditional social capital or community development role. The research holds some heartening news in this regard. In theory, the purchaser/provider split sees the government as 'steering', designing programs without drawing on 'vested interests' and purchasing services at the best market price. The fear for community organisations was that an illogical collection of programs would be provided in order to maintain funding and staffing levels resulting in an erosion of autonomy, purpose and vision. Well over half of respondents, however, felt they continued to be able to provide input into identifying community needs and policies. Even more respondents felt they remained able to advocate for disadvantaged people. 'Mission drift' does not appear to have affected these respondents, with two-thirds disagreeing with the statement 'we have been diverted from our vision and purpose'. These are all positive indications of the health and vitality of the not-for-profit sector and the maturity of its relationship with government.

On the other hand, there was widespread concern about the impact of the changed funding environment on the sector as a whole. There was a perception that the changed funding environment had led an increasing gap between community needs and service provision, a lack of response to emerging needs, a reduction in overall funding, a loss of small services and a growth of large centralised services. In general, respondent organisations felt there had been few positive outcomes from the changed funding environment at a broad sector level. These perceptions about the impact on the broader sector are at some disjuncture with individual organisation's experiences. This disjuncture is worthy of further exploration, particularly as stress levels among

respondent organisations appear to be associated with bigger picture cultural changes embedded in contracting, rather than the specifics of reporting requirements. It may be that peak organisations through highlighting the worse potential pitfalls of contracting have contributed to a sense of a sector in crisis. It would also seem to suggest that uneven government management of the change process has contributed to a sense of unease and anxiety among contracted organisations, even if this unease is not supported by their own experiences. The re-establishment of trust between government agencies and not-for-profit sector would appear to be a major challenge flowing from the changed funding environment.

The study has highlighted the limited success of the shift to contractual arrangements in achieving far reaching reform in the way contracted organisations provide services. Contractual arrangements have had a varied impact on individual organisations, with program type appearing to be very influential. For three-quarters of respondents, however, it would appear current reporting and accountability requirements are having minimal or negative impacts on service management. At the same time, however, there is considerable goodwill towards the Department among respondent organisations for improved relations. It would appear other forms of relationships or partnerships could be usefully employed by the Department in seeking to enhance service delivery.

Whilst many peak organisations have advocated for some form of formal agreement similar to the UK Compact to shape the future relationship between the government and not-for-profit sectors, among respondent organisations this was not seen as the highest reform priority. It would seem, however, that some type of formal agreement may contribute to alleviating organisational stress levels created by concerns about cultural change embedded in contracting. Organisational stress levels appear to be strongly associated with a sense of being required to compete rather than collaborate, inability to meet community needs and a sense that overall funding has decreased. A formal agreement with agreed values and principles may act to reassure not-for-profit organisations of the Department's continuing commitment to addressing social disadvantage.

There also appears to be considerable opportunity for the Department to adopt a capacity-building approach to its relations with contracted organisations. A capacity-building approach would build on the considerable goodwill and desire among respondent organisations to work more closely with the Department. Respondent organisations placed great importance on improving their technological capacity, a role actively undertaken by governments in Canada and New South Wales adopting a capacity-building framework. Existing reforms have had limited success in the key area of governance. Improvements in this area may be better achieved through a co-operative capacity-building approach rather than an adversarial contractual approach. Greater dialogue and consultation, particularly in relation to outcome and performance measures, may achieve improvement in service delivery that the contractual model has had limited success. Of key importance here is agreement on the type of data collected to maximise its utility to contracted organisations in service management.

The continued involvement of for-profit organisations, however, under a social coalition model poses some possibly unexpected challenges for the Department. For-profit organisations were providing services under most FaCS program areas and were

less concerned about the changed funding environment, possibly due to contracting being a settled reality for them. Acceptance of the contracting model, however, appears to be accompanied by a lack of interest in stronger relations with government. Unlike not-for-profit organisations they do not necessarily see themselves as 'policy partners' in solving community problems. This would appear to create challenges for the Department in terms of collaborative policy development with for-profit providers.

Accordingly, the following recommendations are made

- that FaCS review Department wide reporting requirements with a view to maximising standardisation and consider ways of improving Department wide data collection and analysis;
- that program managers consider the issues identified in the research, particularly those affecting organisations providing services under the Disability Employment and Family Relationships programs;
- that program managers consider current reporting burden levels for organisations providing services under Reconnect and YAS;
- that FaCS officers consider capacity-building initiatives, particularly in relation to communication and information technology;
- that FaCS seek to address concerns relating to cultural change through its strategic partnership framework, including consideration of some form of formal agreement; and
- that FaCS develop strategies to facilitate the involvement of for-profit organisations in the policy development process.



## Appendix A: Program Descriptions

Source: FaCS Website, February 2003.

### *Stronger Families and Communities Strategy*

Stronger Families and Communities Strategy was announced in April 2000. It is being progressed cooperatively within the Department of Family and Community Services (FaCS) by Family Relationships Branch, Community Branch, the Child Care Branches, Strategic Policy and Analysis Branch and the State and Territory Office Network.

Eight key principles underpin the Strategy and its implementation. The principles are: working together in partnerships; prevention and early intervention; life transitions; integrated and coordinated services; local solutions to local problems; capacity-building; using evidence to look to the future; and making the investment count.

The Strategy currently comprises nine initiatives.

- The stronger families fund will encourage communities to find new ways to strengthen families, with a focus on early childhood and effective parenting.

Early intervention parenting and family relationship support will provide services and activities such as parenting support and playgroups, marriage and relationship education, and family counselling with a focus on regional Australia.

- Providing more flexibility and choice in child care will improve the flexibility of child care, to better meet the needs of families and provide more choices.
- A longitudinal survey of Australian children will focus on early childhood and effective early intervention and prevention strategies in the areas of health, education, childcare and family functioning.
- Potential leaders in local communities will offer skills and support for potential community leaders who live in socially disadvantaged areas and come from outside industry and government structures.
- National skills development program for volunteers and International Year of Volunteers will help people involved in volunteer work to build skills and support the International Year of Volunteers 2001 work.
- Local solutions to local problems will support communities to build their own capacity in small and cost effective ways.
- Can do community will show-case Australian best practice with real life examples of how to revitalise communities.
- Communication strategy will reinforce the value of good parenting and strong family relationships to children's lives, communities and the future.

### *Emergency Relief Program*

The FaCS Emergency Relief Program contributes to stronger communities by providing targeted payments that assist customers with particular needs.

FaCS provides services to help meet identified community needs, including assistance in times of disaster through the Emergency Relief Program ancillary payments to meet various needs:

- Telephone Allowance
- Pharmaceutical Allowance

Emergency Relief funds are distributed on a needs basis by an Australian wide network of community organisations.

### *Employment Assistance for People with Disabilities*

The FaCS support for People with a Disability contributes to economic and social participation by promoting independence and self-reliance through:

- the provision of rehabilitation services;
- specialist employment services;
- provision of income support for people with disabilities; and
- improving access and encouraging the involvement of people with disabilities as members of the community.

Under the Commonwealth-State Disability Agreement, the Commonwealth recognising its broader role in income support and employment assistance for people who are unemployed, takes responsibility for employment support services. The States and Territories have responsibility for accommodation support, respite care, day services and other support. All governments agreed that advocacy and similar supports should be a shared responsibility.

FaCS funds more than 800 disability employment service outlets across Australia to help eligible job seekers with a disability find and keep employment.

### *Job Placement, Employment and Training*

The Job Placement, Employment and Training (JPET) program is aimed at assisting students and unemployed young people aged 15-21 years (with priority to be given to those aged 15 to 19), who are homeless or at risk of becoming homeless. The objective of JPET is to assist young people who are homeless or at risk of homelessness, or facing similar severe problems, in ways which not only help them with their income and personal support needs, but which also ensure they secure career paths and sustainable futures.

### *Green Corps*

Green Corps is a Commonwealth Government youth development and environmental training program for young people aged between 17-20 years. Green Corps provides young people with the opportunity to volunteer their commitment to conserve, preserve and restore Australia's natural environment and cultural heritage.

Each Green Corps project involves 10 young people taking part in a range of activities and experiences over a twenty-six week period. The young people receive a participant allowance and participate in projects mostly located in rural or remote areas.

Since the program began more than 8 400 young Australians have joined Green Corps projects across Australia, four million trees have been planted, 2 000 kilometres of fencing built, 30 000 hectares of weeds removed, five tons of native seeds collected and 1 600 kilometres of walking track constructed or maintained.

On 30th May 2002 the Minister for Children and Youth Affairs, the Hon Larry Anthony MP, announced that the Federal Government had awarded the Green Corps contract for 2002 to 2005 to a consortium of Job Futures and Greening Australia.

### *Reconnect*

The Government established the Reconnect program in response to a principal recommendation of the report of the Prime Ministerial Youth Homeless Taskforce, *'Putting Families in the Picture'*. The Government is providing funding for this new program which will provide early intervention support for young people aged between 12 and 18 years at risk of homelessness, and their families through counselling, adolescent mediation, and practical support.

Reconnect is specially designed to break the cycle of homelessness, which can begin at an early age. It provides support for the whole family—when young people are at risk of homelessness, or if they leave home.

Early intervention strategies make a significant difference when it comes to helping young people reconcile with their families, to get more involved in community life and to take up or stay in education, training or employment.

An important aspect of Reconnect is community capacity-building and providing cohesive and integrated service delivery. The importance of locally-based networks, flexible service provision and collaboration between services within a community are the basis of the good practice principles underlying Reconnect.

### *Youth Activities Services*

The Youth Activities Services (YAS), an early intervention program, provide activities, generally after school, to adolescents living in disadvantaged areas identified by a range of social and economic indicators. These indicators include income levels, type of housing and home ownership, level of schooling, employment status and ethnicity of the population. The target group is young people aged 11–16

years who still live at home and attend school. The YAS aim to keep young people engaged with their community.

The objective of the Commonwealth funding for YAS is to provide young people in the age group with structured activities and positive peer supports outside school hours, to help prevent them developing patterns of destructive behaviour.

The program aims to enhance self-esteem and confidence through activities that are attractive to people in this age group. By providing opportunities for them to participate in challenging and creative activities. YAS help to develop their personal resources and help to prevent them becoming involved in self-destructive behaviours which may have long term effects on their schooling and labour force participation.

### *Childcare*

FaCS Child Care program contributes to stronger families by helping families to participate in the social and economic life of the community through the provision of support for childcare services

FaCS provides services to assist families with dependent children participate in the workforce, including:

- helping families with the cost of child care (via the childcare benefit administered through the Family Assistance Office)
- quality assurance, training and support services to improve the quality of care of children;
- funding, training and support products and services to promote equity of access;
- funded child care places;
- policy advice, research and service management related to providing children's services.

### *Family Relationships Services Program (FRSP)*

The Commonwealth Government has been funding the Family Relationships Services Program (FRSP) since the early 1960s. The Program is currently administered by the Family and Children's Services Branch of the Commonwealth Department of Family and Community Services (FaCS). Although the FRSP initially focused on marriage guidance services, the Program's current aims are to:

- enable children, young people and adults in all their diversity to develop and sustain safe, supportive and nurturing family relationships; and
- minimise the emotional, social and economic costs associated with disruption to family relationships.

Approximately 100 community organisations currently receive funding under the FRSP to provide family relationships services through about 400 outlets across Australia. In 2002-03, these organisations will receive periodical payments totalling approximately \$50 million (including GST).

## Appendix B: Cross-tabulation Tables

**Table B1: Organisational size by reporting requirements - performance**

Frequency	Percentage of Small organisations	Percentage of Medium organisations	Percentage of Large organisations
Monthly	2.2	1.0	2.7
Quarterly	9.1	11.1	19.0
Six monthly	9.5	29.3	39.5
Annually	17.3	23.6	27.2
Ad hoc	6.5	1.9	2.0
Total	44.6	66.9	90.4

**Table B2: Organisational size by reporting requirements - financial**

Frequency	Percentage of Small organisations	Percentage of Medium organisations	Percentage of Large organisations
Monthly	1.3	2.4	1.4
Quarterly	17.3	24.0	20.4
Six monthly	5.2	8.7	10.9
Annually	48.5	50.0	66.7
Ad hoc	3.0	1.4	0.7
Total	75.3	86.5	100

**Table B3: Organisational size by reporting requirements – client data**

Frequency	Percentage of Small organisations	Percentage of Medium organisations	Percentage of Large organisations
Monthly	4.8	6.7	10.2
Quarterly	22.9	19.7	12.9
Six monthly	3.5	3.4	13.6
Annually	10.4	18.8	23.8
Ad hoc	12.1	8.2	14.3
Total	53.7	56.8	74.8

**Table B4: Organisational size by reporting requirements – work plan**

Frequency	Percentage of Small organisations	Percentage of Medium organisations	Percentage of Large organisations
Monthly	0.4	0	0.7
Quarterly	1.7	2.9	1.4
Six monthly	1.3	1.4	3.4
Annually	14.7	25.5	40.1
Ad hoc	7.4	11.1	14.3
Total	25.5	40.9	59.9

**Table B5: Population target by reporting requirements - performance**

Frequency	Percentage of Mainstream organisations (n=550)	Percentage of Non-Mainstream organisations (including ATSI) (n=73)	Percentage of ATSI organisations (n=40)
Monthly	1.5	4.1	10.0
Quarterly	11.5	17.8	30.0
Six monthly	21.8	34.2	22.5
Annually	21.3	23.3	27.5
Ad hoc	4.2	0	2.5
Total	60.3	79.4	92.5

**Table B6: Population target by reporting requirements - financial**

Frequency	Percentage of Mainstream organisations (n=550)	Percentage of Non-Mainstream organisations (including ATSI) (n=73)	Percentage of ATSI organisations (n=40)
Monthly	1.8	0	0
Quarterly	20.7	17.8	22.5
Six monthly	7.5	8.2	12.5
Annually	50.5	71.2	75.0
Ad hoc	2.0	0	0
Total	82.7	97.2	110.0*

\*Indicates some organisations providing more than one financial report per year

**Table B7: Population target by reporting requirements – client data**

Frequency	Percentage of Mainstream organisations (n=550)	Percentage of Non-Mainstream organisations (including ATSI) (n=73)	Percentage of ATSI organisations (n=40)
Monthly	6.4	6.8	7.5
Quarterly	20.5	9.6	7.5
Six monthly	4.5	15.1	12.5
Annually	16.0	16.4	17.5
Ad hoc	11.8	8.2	7.5
Total	59.2	56.1	52.5

**Table B8: Location by reporting requirements - performance**

Frequency	Percentage of Metropolitan organisations (n=304)	Percentage of Non-Metropolitan organisations (including remote) (n=319)	Percentage of Remote organisations (n=119)
Monthly	1.0	2.5	5.9
Quarterly	11.5	12.9	26.9
Six monthly	28.6	18.2	30.3
Annually	21.4	21.6	20.2
Ad hoc	3.0	4.4	4.2
Total	65.5	59.6	87.5

**Table B9: Location by reporting requirements - financial**

Frequency	Percentage of Metropolitan organisations (n=304)	Percentage of Non-Metropolitan organisations (including remote) (n=319)	Percentage of Remote organisations (n=119)
Monthly	1.6	1.6	4.2
Quarterly	19.7	21.0	22.7
Six monthly	10.2	5.0	12.6
Annually	54.6	51.4	59.7
Ad hoc	2.3	1.6	0.8
Total	88.4	80.6	100.0

**Table B10: Location by reporting requirements – client data**

Frequency	Percentage of Metropolitan organisations (n=304)	Percentage of Non-Metropolitan organisations (including remote) (n=319)	Percentage of Remote organisations (n=119)
Monthly	6.6	6.3	8.4
Quarterly	18.1	20.4	8.4
Six monthly	5.9	5.6	7.6
Annually	19.7	12.5	17.6
Ad hoc	11.5	11.3	10.1
Total	61.8	56.1	52.1

**Table B11: Effect of funding arrangements on relationships with the Department by program**

Input into identifying community needs and policies	Strongly agree	Agree	Disagree	Strongly disagree	Don't know
Stronger Families (n=67)	16.4	50.7	4.5	11.9	16.4
Emergency Relief Program (n=83)	21.7	45.8	4.8	12.0	15.7
JPET Program (n=63)	19.0	34.9	4.8	25.4	15.9
YAS (n=22)	27.3	45.5	9.1	13.6	4.5
Reconnect (n=15)	40.0	46.7	0	0	13.3
ESPD (n=110)	4.5	54.7	12.7	3.6	24.5
Child Care Programs (n=271)	14.8	47.2	6.6	11.8	19.6
Family Relationships (n=33)	15.2	42.4	9.1	9.1	24.2
Greater clarity about relationship and no longer dependent on gov't funding	Strongly agree	Agree	Disagree	Strongly disagree	Don't know
Stronger Families (n=68)	1.5	5.9	41.2	44.1	9.3
Emergency Relief Program (n=83)	3.6	7.2	33.7	47.0	8.4
JPET Program (n=61)	3.3	9.8	42.6	27.9	16.4
YAS (n=22)	0	9.1	31.8	59.1	0
Reconnect (n=14)	7.1	0	28.6	50.0	14.3
ESPD (n=112)	0.9	9.8	35.7	50.0	3.6
Child Care Programs (n=261)	1.9	9.2	11.1	38.3	39.5
Family Relationships (n=34)	2.9	8.8	29.4	58.8	0
Ongoing feedback from FaCS	Strongly agree	Agree	Disagree	Strongly disagree	Don't know
Stronger Families (n=68)	1.5	32.4	36.8	20.6	8.8
Emergency Relief Program (n=82)	1.2	23.2	42.7	22.0	11.0
JPET Program (n=62)	8.1	24.2	38.7	17.7	11.3
YAS (n=22)	0	40.9	45.5	9.1	4.5
Reconnect (n=15)	0	53.3	33.3	6.7	6.7
ESPD (n=112)	2.7	31.3	44.6	19.6	1.8
Child Care Programs (n=265)	1.9	21.5	44.9	22.6	9.1
Family Relationships (n=34)	0	23.5	44.1	26.5	5.9
Advocate for disadvantaged people	Strongly agree	Agree	Disagree	Strongly disagree	Don't know
Stronger Families (n=68)	19.1	19.1	19.1	4.4	7.4
Emergency Relief Program (n=81)	22.2	13.6	13.6	6.2	7.4
JPET Program (n=61)	19.7	9.8	9.8	6.6	16.4
YAS (n=22)	50.0	9.1	9.1	4.5	0
Reconnect (n=15)	33.3	6.7	6.7	6.7	0
ESPD (n=110)	10.0	15.5	15.5	0.9	7.3
Child Care Programs (n=262)	13.0	18.3	18.3	8.4	12.2
Family Relationships (n=34)	11.8	26.5	26.5	5.9	8.8



**Table B11 Continued**

Diverted from vision and purpose	Strongly agree	Agree	Disagree	Strongly disagree	Don't know
Stronger Families (n=62)	3.2	9.7	3.2	71.0	12.9
Emergency Relief Program (n=81)	0	6.2	3.7	56.8	33.3
JPET Program (n=55)	7.3	9.1	7.3	65.5	10.9
YAS (n=22)	0	18.2	4.5	54.5	22.7
Reconnect (n=15)	0	6.7	0	66.7	26.7
ESPD (n=110)	9.1	22.7	5.5	50.0	12.7
Child Care Programs (n=243)	4.5	17.3	6.2	57.6	14.4
Family Relationships (n=32)	6.3	21.9	0	62.5	9.4
Encouraged to compete rather than collaborate	Strongly agree	Agree	Disagree	Strongly disagree	Don't know
Stronger Families (n=62)	16.1	50.0	27.4	3.2	3.2
Emergency Relief Program (n=79)	13.9	20.3	43.0	17.7	5.1
JPET Program (n=52)	34.6	13.5	42.3	7.7	1.9
YAS (n=21)	9.5	23.8	38.1	14.3	14.3
Reconnect (n=15)	40.0	20.0	33.3	6.7	0
ESPD (n=110)	23.6	40.9	29.1	2.7	3.6
Child Care Programs (n=241)	14.9	28.2	41.5	6.2	9.1
Family Relationships (n=32)	25.0	50.0	21.9	0	3.1

**Table B12: Desired support from the Department by program**

Frequency	Informal advice and support	Identified contact person	Templates, etc. to meet reporting requirements
Stronger Families (n=72)	70.8	68.1	63.9
Emergency Relief Program (n=86)	64.0	57.0	51.2
JPET Program (n=66)	66.7	69.7	59.1
YAS (n=22)	59.1	81.8	63.6
Reconnect (n=15)	73.3	73.3	86.7
ESPD (n=113)	59.3	54.9	60.1
Child Care Programs (n=284)	66.2	68.7	45.8
Family Relationships (n=34)	61.8	55.9	61.8

**Table B13: Technology needs by program**

Frequency	Computer infrastructure	Privacy protection	Compatibility with financial records	Software compatibility
Stronger Families (n=22)	79.2	62.5	73.6	75.0
Emergency Relief Program (n=86)	51.2	62.8	62.8	45.3
JPET Program (n=66)	78.8	66.7	69.7	69.7
YAS (n=22)	90.9	72.7	81.8	86.4
Reconnect (n=15)	86.7	66.7	66.7	86.7
ESPD (n=113)	80.5	73.5	59.3	66.4
Child Care Programs (n=284)	74.6	63.0	71.8	69.7
Family Relationships (n=34)	85.3	88.2	73.5	85.3

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