

Committee Secretary
Senate Economics Committee
Department of the Senate
PO BOX 6100
Parliament House
Canberra ACT 2600

Friday 29th August 2008

Dear Committee Secretary,

I am writing on behalf of the Network of Alcohol and Other Drug Agencies (NADA) who are the peak body for not for profit drug and alcohol services in NSW. We represent more than 100 not for profit alcohol and other drug organizations offering treatment, prevention and early intervention services.

Initially our view is that the parameters and guidelines for the inquiry cover two separate broad areas. The first concerns tax, disclosure and regulation of charities in regards to the public donations they receive. Public donations as a significant income stream only applies to a small number of our member organizations. For the most part, the majority of our member's incomes are derived from mix of funding including government funding, community organisations as well as fees from clients. Given there is also a senate inquiry into the tax system, this could be dealt with under that broad umbrella, and at the least there should be a significant link between the two activities. Our only comment in this area is that legislation must be harmonized and clarified across the States and Territories to remove unnecessary red tape across the various levels of government.

The sector is also incredibly diverse, services could operate in a large charity run residential rehabilitation service, a remote indigenous self managed organisation, an intoxicated persons hostel, a youth outreach team or a community development organisation. The majority are however small to medium sized organizations without administrative or back office support. Any changes to legislation need to recognize the diverse operating environment of these vital services.

The second area concerns improving governance, standards and transparency in the use of government funds. This is of increasing concern to our members. Given the majority receive funds from government, the subsequent funding and performance agreements require regular reporting, annual general reports and audits to Australian Accounting Standards. One

organisation may receive funds from a number of government agencies and are then required to undergo multiple compliance processes. While the sector supports quality improvement through improved governance, standards and transparency in the NGO sector, there are concerns about how this level of duplication and reporting has impacted on the delivery of services.

The non government sector is at crisis point with this unnecessary overburden of compliance and reporting. These organizations may only be small to medium sized enterprises, with enough staff to meet the needs of clients. While the importance of transparency and reporting are recognized, the repetition of activity required due to the government departments working in complete silos is not. There is an urgent need to streamline reporting requirements to ensure consistency across funding bodies in reporting requirements and reporting periods. This would reduce the administrative burden of grants cross government significantly.

If the reports and information sent was used to improve the service, or indeed inform government's policy and efforts, this would also be understood. But there is the growing concern that these reports are used for compliance to manage risk, as opposed to ensuring public money is used to the benefit of the community.

Not for profit services do not work in a policy vacuum, and they are held to the same standards of rigor and compliance as government services at a minimum. Where government services are required to undertake activities, for example criminal records checks, disaster planning, accreditation, risk assessment, these are quickly passed onto the organizations governments fund, whether part of the original funding and performance agreements or not.

Not for profit services are at the same time held accountable to a range of legislation including OH&S when they are not making profits to invest back into their operations, or present the same level of risk as other industries. Most funding is for specific services and client focused, leaving most organizations struggling to ensure they meet all of their legislative requirements without positions dedicated to human resources, finance or administration.

With the growing level of compliance in reporting required by government funders . This has detrimental affects on the ability of services to respond to their local communities and clients, particularly as the reporting is risk driven. Service delivery and innovation are being sacrificed to fulfill compliance and reporting requirements of government funders so they can manage their risk. There is no evidence that these processes were useful or actually improve the governance or management of organizations, or indeed there is no evidence they are used by the funding bodies to reflect on their processes. This is also required at a time when funding may be delayed up to six months later than the agreement stipulates putting services at risk. The realities of the current system in NSW is that not for profits organization are overburden to the detriment of working on the frontline with the most socially disadvantaged of Australians with high and complex needs.

The current paperwork overburden on the non government sector could be contributing to its inability to attract and retain a workforce. Given the lower rates of pay, the attraction to the sector is about working with people, being in a responsive environment and a flexible

organisation. Research in our sector shows people join due to the flexibility and autonomy (NSW Government Alcohol and Drug Sector Workforce: Profile and Issues 2008), which is being threatened by the overburden of compliance.

Recommend that any changes streamline reporting requirements that the level and extent of reporting and compliance required is in line with the level of risk posed by the organization being funded, that the reporting and regulation are driven by ensuring public funds meet the needs of the community.

Given the size of the not-for-profit sector there is an urgent need for the Government to formally recognize the sector and properly resource a partnership that examines these issues to the benefit of the Australian Community.

Specifically:

1. Governance: Boards of Management are volunteers, often drawn from the local community or from local services. Although these positions are unpaid, legislation imbues them with personal legal and financial risks. It is a challenge for any service to recruit and retain a Board of Management with the skills and abilities to promote good governance. Any strategy to address this structure to promote and support community participation would be welcome.
2. Standards: There are a proliferation in standards of practice for organizations through quality improvement organizations and health guidelines. This is in addition to annually or quarterly reporting against key performance indicators outlined in their funding and performance agreements as well. The focus should be on government reducing the burden of standards by
3. Accountability: although funders consider themselves purchaser providers, they are keen to minimize their risk by requiring substantial accountability. Funding bodies should recognize the increased administrative and business roles of not for profit organisations due to increased governance and compliance, with a focus on solutions for adequate administrative and business function support for NGOs.
4. Transparency: Information is often readily and publically available, how this information is collected, distributed and used should be examined. There should also be a compulsory induction or orientation process for government employees working with not for profit organization to build understanding of their operating environment.

Thank you for the opportunity to participate in the Inquiry and we look eagerly forward to the results.

Regards,

Vanessa Long

Director, Sector Development

