



The Impact of the NSW Department of Community Services Funding Policy on Small Non-Government Organisations

A Report for Western Sydney Community Forum

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Background and Context

In December 2002, the NSW State Government announced that the Department of Community Services would undertake a major program of reform and renewal to improve child and family services in New South Wales. The program known as the Early Intervention Program (EIP) is worth \$1.2 billion in funding and is being rolled out over five years (2003/04-2007/08).

Subsequently the Department of Community Services introduced the new Funding Policy that will be applied to all new funds from the budget enhancement of 2002 and progressively across all the Department's funding programs. Under the Policy, new funds will be most often issued through a select or open Expression of Interest process.

This paper seeks to examine the current NSW Department of Community Services (DoCS) funding and policy framework as it impact on small community sector organisations in Greater Metropolitan Sydney.

Small organisations are defined as those with an annual budget of less than \$1million.

The changing policy and funding environment, with its shift to contracting arrangements for local community service provision, and more recently to brokerage models for the delivery of services (seen in the Federal Communities for Children program and the NSW Department of Community Services Early Intervention Program) has been hotly debated within the community services industry.

This Paper will look specifically at the DoCs Funding Policy as it has unfolded through the recent DoCS Early Intervention Program funding process and the practical and policy implications of this on small community organisations.

The Paper will pay particular attention to the costs and implications for small organisations in relation to the provision of services, performance evaluation and monitoring and efficiency measures.

It will also examine the impacts of the Funding Policy on people from marginalised and disadvantaged communities.

NCOSS has undertaken some important work gathering the impacts of these changes on community sector organisations across NSW. This paper does not propose to duplicate that work but to apply a magnifying glass to one significant geographical area (Greater Metropolitan Sydney), and examine what the impacts look like at close range for 10 small organisations working in the area. In this way it seeks to compliment the information gathered by NCOSS and add to the pool of knowledge in this area.

Methodology

The methodology for the Project was qualitative. Data was collected and analysed from two sources:

1. The available literature and documentation regarding the
 - a. Department of Community Services Funding Policy
 - b. Department of Community Services Early Intervention Program

- c. Reports, commentary and responses from analysts, peak bodies and researchers
 - d. Available literature on similar funding models and approaches.
2. Semi-structured interviews with small community based non-government organisations (those with a budget of less than \$1 million) across Greater Metropolitan Sydney.

All of those interviewed participated to varying degrees in the Expression of Interest process for the Early Intervention Program.

Ten telephone interviews were conducted with organisations located throughout Greater Metropolitan Sydney.

A schedule of interview questions is provided in Appendix A of the Report.

While all of the organisations that participated in the research for the project had budgets of less than \$1million, there was also a range of participants from very small to small medium within these parameters.

Interview data was analysed in the context of available literature and the identification of emerging themes and issues from the interview data itself.

What the Literature Tells Us

Across the western world, governments are undergoing funding reform, moving away from the welfare state to a more market based approach in the delivery of human services. These changes enable government to maintain control over what services are provided without having the responsibility of the delivery of services.

In Australia, there are already a number of examples of a managed market approach including contracting out the delivery of human services such as the Federal Government's Job Network and other examples of funding the individual rather than organisations such as Child Care. Programs such as the Stronger Families; Communities for Children administered through the Department of Family and Community Services and Indigenous Affairs, have funded a consortium of agencies with a contract of service delivery through a lead agency.¹

In August 2005, the Department of Community Services (DoCS) introduced its new Funding Policy. DoCs overall vision 'is to achieve the best client outcomes with the available funding, through reward enhanced performance and better sharing of responsibility for managing service delivery and service risks with providers.' The policy has three main themes;²

- ◆ Strengthening the service system
- ◆ Shift to performance based contracting, and
- ◆ Diverse funding options

¹ Working Together for NSW Good Funding Policy and Practise NCOSS May 2006.

² Department of Community Services Funding Policy August 2005

The policy establishes contestability as being the best way to get value for money and that the most appropriate providers are selected to deliver the project. An example of this process has been the 2005 Early Intervention Program Expression of Interest.

The funding and the reforms aim to build and improve services provided by the NSW Department of Community Services (DoCS), which is mainly through their recruitment of an additional 350 new caseworkers and by providing \$150 million in funding to non-government organisations to deliver early intervention services. The aim of the Early Intervention Program is to;

- ◆ 'promote healthy childhood development,
- ◆ promote strong, functional and well-supported families, and
- ◆ reduce and prevent child-abuse and neglect in participating families'.³

Resources are being targeted into services that identify children and families who are vulnerable or at risk, and providing them with support before problems arise or become serious. The target group for the Program is families who are expecting a child or have children up to eight years of age. Based on current research, priority of access will be given to families with children less than three years of age. The Program uses a strengths-based approach and recognises that parents already have skills and expertise when it comes to understanding what works for their families.

The NSW Department of Community Services defines early intervention as:

- ◆ intervening early in the life of a child (early childhood intervention); or
- ◆ intervening early in the pathway of a problem or potential problem

The Program targets families that have at least one vulnerability that, if not addressed, is likely to escalate and impact adversely on capacity to parent adequately and/or on the well being of the child/ren. Vulnerabilities comprise:

- ◆ domestic violence
- ◆ parental drug and alcohol misuse
- ◆ parental mental health issues
- ◆ a lack of extended family or social supports
- ◆ parents with significant learning difficulties or and intellectual disability; and/or
- ◆ child behaviour management problems (eg: parent / child conflict, school problems, parenting difficulties).⁴

The model emphasises integrating service delivery which DoCs believes can be achieved by agencies from the three broad categories of not for profit non government services, for profit private services and government providers, working in partnership. Working in an integrated way enables partnering agencies to develop coordinated and comprehensive strategies to support families. The Department of Community Services sites the benefits of an integrated service delivery model to include: 'easy and convenient access to services, timely service delivery, fewer agency contacts, improved access times, consistent service across agencies and reduced service complexity for families. Integration can also help families navigate

³ NSW Department of Community Services Early Intervention program Brief Overview

⁴ NSW Department of Community Services Early Intervention program Brief Overview

services, reduce administrative work, enhance service provision, increase efficiency, facilitate resource exchange and reduce duplication.⁵

The Early Intervention Program requires a lead agency to have the key contractual arrangement with DoCs to manage and facilitate the Early Intervention Program in their specified area and be the recipient of the funding from DoCs. The lead agency is expected to provide case management and integration of service provision to families in the Early Intervention Program and must enter into consortia arrangements with the other agencies in the partnership. The lead agency is required to enter into a legal agreement with their partners in the consortia that must specifically identify that the Lead Agency in a consortium will:

- ◆ ensure there are approved /endorsed agreements between the organisations in the consortium;
- ◆ be responsible for communicating information provided by DoCs to other member organisations;
- ◆ ensure member organisations comply with all aspects of the Service Agreement and Service Specifications; and
- ◆ be responsible for coordinating all reporting and monitoring aspects of the Service Agreement and Service Specifications.⁶

In essence the Lead Agency has a service delivery and policing role on behalf of all the other agencies in the consortium for DoCs and the partnership between the agencies in the consortium are far from equal. NCOSS in their Working Together for NSW: Good Funding Policy and Practice (May 2006), suggests that cooperation is a more accurate term to use rather than partnership as cooperation recognises that both government and non government want to achieve the same outcomes for the community.

Recently there has been a number of reports compiled looking at how small community organisations are faring in the current funding environment where the emphasis of service provision is on the market agenda.

Small organisations contribute significantly to their communities. Being located with their communities they are well position to understand local needs and to build community capacity. They have developed relationships and networks with other local service providers that enable them to work cooperatively to improve outcomes for the community. Many small organisations have experience in working in partnerships with other local agencies to meet community need. Small organisations give community members the opportunity to participate in their local community, as volunteer workers, on boards of management and through participating in the activities and services they offer. 'Small organisations have an important role in mobilising existing social capital and creating more. Social capital is generated through networks, local values and trust that exist in community.' (Onyx & Williams 2002)⁷

In August 2004, the Bradfield Nyland Group produced a series of reports of the Small Non Government Organisations Working Together (SNOW) Project. The SNOW project was developed as part of the Mt Druitt Community Solutions and Crime Prevention initiative. The project researched issues and challenges for small

⁵ NSW Department Of Community Services Early Intervention Program Brief Overview

⁶ DoCs Contractual Arrangement with NGO Consortia in the Early Intervention Program

⁷ Voice for SONG. The Way Forward: Tackling Issues confronting small community organisations Tirrania Suhood, Chris Marks, Mary Waterford and Voice for SONG members March 2006.

community organisations in the Mount Druitt/ Blacktown area and worked with these organisations to support strategies that would assist them in developing and enhancing their potential.

Three key issues emerged from the report,

- ◆ 'The way small NGO's are viewed and valued: Small NGOs need to be repositioned strongly and positively as viable alternatives to very large agencies, and a level playing field established.
- ◆ Addressing the specific difficulties in the current funding environment that appear to disadvantage smaller NGOs, and assisting them to plan for realistic income levels.
- ◆ Ensuring the ongoing viability of smaller NGOs and addressing the four critical areas of financial management, administration systems, governance and personnel management.⁸

The sustainability of small organisations is under threat due to the increasing costs in staffing, administration, compliance, and accountability, and insufficient government funding. Small organisations often do not have the budget or infrastructure to manage these increasing costs and find that more time and money is spent on the administration of the organisation than on service delivery. The SNOW Report found that out of twenty-two organisations they spoke to, only half said they appear to be financially sound and sustainable. The report found that most small organisations do not have a dedicated manager as they are often responsible for service delivery as well. Coupled with the fact that only half the organisations interviewed had paid administration staff and only two had full time administration staff, small organisations are not well resourced to respond to the impact of government funding policies.

The SNOW report recommends to State Government that it should review and refine its' purchasing policies addressing the tension between competitive tendering and the development of relationships with small organisations as partners; it should implement cost containment strategies to help small organisations with rising costs and accountability; and it should ensure NGOs have access to training and skill development. Agencies have found the Expression of Interest process for the Early Intervention Program very time consuming, confusing and resource hungry, and very difficult for a small organisation to compete with larger more well resourced agencies. They criticised the process as destroying cooperation within the community sector and generating competitiveness, secrecy and unequal relationships between local agencies.

Similar findings were reported in the Voice for SONG report, The Way Forward: Tackling the issues confronting small community organisations (March 2006), that found that the six major issues confronting small community organisations were:

1. Invisibility of small organisations and lack of understanding of their value and potential;
2. Recruitment and retention of skilled workers;
3. Inadequacy of funding and multiple accountabilities across programs;
4. Short term project funding and expectation to be sustainable through private sector funding;
5. Government trend to fund one large regional project rather than several small organisations; and

⁸ On The Front Foot: An Action Plan for Small NGOs, Report of the Snow Project Bradfield Nyland Group August 2004.

6. Stresses on community management.⁹

NCOSS, in partnership with NSW Family Services Inc and ACWA, has undertaken two surveys of community organisations that were involved in the Expression of Interest process for the DoCS Early intervention Program. The report titled 'Partnering Under Pressure' (May 2005), indicates that the Expression of Interest Process was not an easy process to participate in particularly for small community organisations. The survey found that:

Out of sixty-seven organisations that participated in the EOI process, forty-seven found the process difficult or very difficult. Five out of seven large organisations are included in this figure.

The process was time consuming (ranging from 8 up to 340 hours).

Access to information, especially at briefings, could have been much better.

When asked if this process should be applied to other funding programs, the response was overwhelmingly negative (61% said no compared to 31% yes).

Only those organisations that had either participated in an EOI bid or had considered doing so were asked to return the survey. Of the eighty-one surveys, sixty (74%) organisations had been part of an Expression of Interest bid for the Early Intervention Program. Of those organisations that completed the survey, forty small organisations received funding of less than \$500,000, with a further eleven small organisations receiving less than \$1million. There were nineteen medium sized organisations (\$1m - \$10m) and seven large (funding greater than \$10m). Four services did not identify by size.

The Expression of Interest process was in two stages but many agencies reported the process was very confusing. A level of difficulty was experienced by both small and large organisations alike. The survey reported that for most organisations the process was very time consuming although this seemed to depend on whether the organisation was a lead agency or a partner and who did the work involved. Eight organisations (three small, one medium and two large) spent more than 340 hours completing the Expression of Interest process. It is assumed that this would have impacted on an agency's service delivery capacity.

Many organisations reported that there were costs associated with the Expression of Interest process. Sixteen services reported that they had engaged an external consultant to assist them in developing the documentation and eleven other agencies reported having spent more than \$5,000 on the process. Overwhelmingly, agencies (61%) responded with a negative when asked should the same process be applied to other funding programs.

One of the main aims of an integrated service delivery model of the Early Intervention Program is for agencies to form better partnerships and work collaboratively. The survey found that for most agencies (forty-six), the process had not impacted on collaboration with others. Twenty-seven felt that collaboration had improved and three thought it had become worse.

NCOSS received funding from the Department of Community Services to assist small to medium sized organisations that were partners, or being approached to be

⁹ Voice for SONG. The Way Forward: Tackling Issues confronting small community organisations Tirrania Suhood, Chris Marks, Mary Waterford and Voice for SONG members March 2006.

partners, in a Stage 2 EOI bid. Organisations would be assisted in the following ways:

- provision of information about partnership arrangements;
- tools to assist NGOs develop their partnership arrangements;
- dissemination of DoCS information about partnerships and integration; and
- provision of advice to agencies about forming and maintaining partnerships.

The Local Community Services Association has also been funded by DoCS to assist Neighbourhood and Community Centres meet the requirements of the new DoCs funding Policy and Good Practice Guidelines. The project will develop and implement a planning and accountability tool enabling any centre to determine their future direction, discover whether they are successfully meeting their goals, meet DoCS good practice guidelines, and effectively and easily report back to DoCS for their funding accountability. Initially the results accountability project will be run as a pilot with the tools being distributed to all Centres across NSW by late 2007.

In response to the NSW Department of Community Services (DoCs) Funding Policy, NCOSS has released a discussion paper entitled *Working Together for NSW – Good Funding Policy and Practice* May 2006. It outlines the principles NCOSS considers essential to 'enhance the quality of processes and outcomes for the funding relationship between government and non-government organisations.' They include:

- ◆ Value for money – The best mix of services to meet community need within available funding.
- ◆ Fairness, Integrity and Transparency – The funding system is accessible, appropriate and fair.
- ◆ Cooperation – A funding relationship where government and non government work together to achieve better outcomes for the community.
- ◆ Diversity – Diversity in population groups but also in the range of service providers from locally based community organisations to large charitable agencies providing a range of different model of services.
- ◆ Consistency - Funding administration processes to be consistent 'within programs, across individual agencies, across government and as grant programs evolve.' This could assist integrated planning and delivery of human services and reduce duplication and resources spent on administration.
- ◆ Probity - Ensuring the integrity of funding processes to maintain trust between government and the non government sector.
- ◆ Coordination – Coordinating the planning and provision of services across both government and non government.¹⁰

In relation to the model of competitive tendering, NCOSS believes that the initial step in funding new programs should be to work within the local and regional planning context with existing service providers and that seeking new, inexperienced or unfamiliar agencies may not provide the best local outcomes for the community. The Expression of Interest process sought innovation but often the prescriptive service specifications and contracts can limit the consortium's ability to implement such ideas. Whilst it is the intention of the State Government's contestability policy to lower the cost of service delivery and achieve economies of scale, NCOSS expresses concern that this can result in lower quality services or less service being available and that economies of scale can become standardised models of service delivery and not responsive to local community need.

¹⁰ Working Together for NSW: Good Funding Policy and Practise NCOSS May 2006.

Some of the consequences of contestability NCOSS cites are;

- ◆ 'Loss of trust between government agencies and providers
- ◆ Loss of trust between service providers themselves
- ◆ Loss of local decision making and ownership of programs
- ◆ Loss of the "extras" that are not directly purchased(eg community engagement, advocacy, networking, volunteers)
- ◆ Funding may be given to the best written proposals from probably less experienced or expert providers. The best written proposals do not necessarily indicate the most suitable applicant
- ◆ Inefficiencies caused by the deflection of staff to writing funding proposals rather than providing services and the costs involved
- ◆ The process may work against the purpose- in the search for integration, for example, a competitive process may result in more division than collaboration
- ◆ Information and research may not be shared as easily or openly in a competitive environment.'¹¹

Evidence from Small Organisations

The evidence from interviews conducted with 10 small community organisations across Greater Metropolitan Sydney largely supports the literature referred to earlier in the Paper.

While all of those interviewed were able to clearly identify a number of positive outcomes for both their organisation and for the community sector overall as a result of the Early Intervention Program (EIP) funding process, for most interview participants, these were counter balanced strongly by concerns with both the model and process used.

Observations and reflections from those interviewed provide a more detailed picture of the major areas of concern for small organisations in relation to both the EIP process and the broader implications of the new DoCS Funding Policy.

In addition to this, some positive outcomes were also described by a number of small organisations.

Benefits

Key benefits that were described by those interviewed were:

Increased Collaboration among Small Community Based Organisations

All of those interviewed for the Project nominated the endorsement of collaboration between smaller organisations as a key positive outcome of the EIP tendering process.

A number of those interviewed described the process as recognising the collaborative work they had been doing at a local and regional level for some time. For others it provided an opportunity to consolidate less formal local service partnerships and relationships.

¹¹ Working Together for NSW: Good Funding Policy and Practise (NCOSS, May 2006)

Increasing interest in existing and developing consortia amongst local service providers including, but not only made up of small non-government organisations, was reported as positive by many of those interviewed. These interviewees expressed a level of optimism regarding the potential for small organisations to work more effectively together, particularly as they saw that the kind of funding process experienced with the EIP was a sign of things to come.

An observation made by a number of those interviewed was that they were fortunate to have had a collaborative network of local services already in operation prior to the EIP tendering process, as they felt there had been no time or resources to develop this kind of network as part of the tendering process in spite of a perceived expectation by DoCs that this was possible. One comment from those interviewed sums this up.

“I feel sorry for areas that didn’t have the networks we had in place before the EIP process. I don’t see how anyone could start from scratch in the time DoCs wanted us to put it together.”

There was a strong view expressed by a number of interviewees that small organisations needed to be ahead of the game in order to compete under the new policy guidelines. Proactive collaboration between small organisations was seen as a key tool available to them.

An Impetus to Look at the Role, Structures and Potential of Small Organisations into the Future

Most of those interviewed described their organisations as ones that were already examining their structure, the range of and approaches to responding to local needs and issues to better position themselves as effective local organisations. A number of interview participants described the EIP tendering process as providing another good reason to continue this process.

A few of those interviewed described the process as a “wake up call for services that have been doing the same thing for twenty years.”

For many small organisations the EIP tendering process provided a catalyst for them to advocate more effectively and articulate more clearly, the role that they play in local communities.

There was a strong perception amongst most of those interviewed that the EIP tendering process favoured large organisations, but that it also provided a timely opportunity for small organisations to promote and build on their strengths, in terms of local knowledge, trust and longevity in local communities, and service responses that are accountable to communities because they are based wholly in the communities they serve.

Potential Access to Larger Service Infrastructure

Another positive aspect of the EIP tendering process identified by some interview participants was the support large organisations could and did provide in relation to administrative, financial and resource infrastructure.

For many small organisations that took part in interviews for the Project, the administrative and financial infrastructure that the lead agency organisation brought to the process provided significant benefits. Most of those interviewed reported that it would have been very difficult, and in some cases impossible, for them to participate

in a tendering process as large and complex as that for the EIP without access to the organisational infrastructure that came with the lead agency organisation.

A number of interview participants also expressed a hope that once the EIP was operating there would be further benefits for small organisations with regard to lead agency infrastructure including potential for joint training, financial, legal and administrative support which would potentially free up small organisations for more direct service delivery. A cautionary note was also described by this group of interview participants, however, with regard to the level of uncertainty on their part about how the Program will roll out in reality.

Concerns with the EIP Process

In relation to the tendering process used by the Department of Community Services, a number of significant concerns were raised by interview participants. These were:

Poor and Inconsistent Information Flow

A key concern raised by all of those interviewed was the issue of information flow from both the Department of Community Services and from lead agency organisations to smaller partner organisations.

Specific issues included:

- ◆ *A perception that contradictory information was being provided by the Department through the process.* This was raised in relation to the participation of smaller agencies in partnerships with more than one lead agency. Initial information that one lead agency partner must be chosen. This was then changed as a result of anti-competitive concerns allowing small organisations to join a number of partnerships.

For small organisations this created confusion and placed increased pressure on them to join with additional lead agency tenders late in the process. A number of those interviewed said they had felt compelled to add their support to a number of lead agency bids rather than the one they had developed a relationship with, in case that agency was unsuccessful.

This also contributed to a range of hurried approaches by lead agencies to smaller organisations, attempting to expand their partnership base under the changed policy. Smaller organisations seeking information about additional partnership proposals to assist in their decision making were further pressured by this process and reported that it was difficult to access and process adequate information prior to the deadline.

For those smaller organisations interviewed, who decided to join with only one lead agency or a consortium model, the policy change created uncertainty and frustration regarding their role in future service delivery if they were unsuccessful.

- ◆ *Difficulty for small organisations in accessing information from lead agency organisations during the tendering process.* For a number of those interviewed, there was considerable frustration expressed about the level and detail of information they were given by lead agencies through the process.

Many interviewees reported that lead agency organisations would not provide them with any detailed information until they formally joined the partnership with that agency. This made it difficult for these small organisations who reported that they felt they were joining a partnership without any clarity about what it would mean for their services or their organisation as a whole.

This situation was reported by interview participants as more problematic in the second stage of the process, particularly for small organisations that joined partnerships during this stage. They described a sense that they were not wholly trusted by the lead agency, their calls were often not returned, and there was reluctance on the part of the lead agency to meet with them.

- ◆ *Lack of information at the local area office level of the Department.* While interview participants largely reported positive and often long term relationships with local Department of Community Services staff, there was a consistent perception that these staff did not have access to much of the information pertinent to the EIP tendering process. Interview participants reported that the centralised control of information within the Department created limited opportunities for key questions to be answered, or matters to be clarified through the tendering process. Many expressed frustration that the local office of the Department was often not able to assist in answering questions as they did not have access to the information required.

The Paradox of Collaboration and Competition

The concurrent processes of collaboration and competition that were features of the EIP tendering process were described by those interviewed as contradictory and destructive to trust and co-operation across the community sector.

While the process was reported as positive and effective in encouraging collaboration between small organisations, many of those interviewed expressed a concern that the overarching competitive tendering framework eroded trust between smaller organisations and larger lead agencies.

Many interview participants described a culture of distrust and secrecy that developed during the process where larger lead agencies were perceived as keeping information from potential and actual partner organisations due to a fear that the information would be shared with competitors.

For many of those interviewed, the imperative for lead agencies to work in partnership with smaller local services was undermined by the competitive framework and the way in which it was implemented. Many of those interviewed viewed the competition as occurring largely between the lead agency organisations, with smaller organisations being asked to either nominate which team they were going to play for or make themselves available for a number of teams.

There was also a perception among many of those interviewed that the outcomes of stage one in the process gave a clear message that competition between large NGO's was preferred by the Department over consortium-style collaboration between smaller organisations. For these participants the perception was confirmed in the range of organisations funded as lead agencies across New South Wales (only one consortium of small community organisations was successful).

Differing Notions of Partnership

While all interview participants described the development, and in many cases consolidation, of partnerships with other small and medium sized community organisations, with local government in a number of cases, and even with some State government agencies as the outstanding benefit of the tendering process, partnerships with large non-government organisations acting as lead agencies were varied.

Those who described a positive experience working with large organisations as lead agencies in the process either had an existing relationship with workers from that organisation as it already offered services in the local area or were able to meet and have dialogue with workers from the large organisation from early in the process. For others, the notion that they were in partnership was not reflected in their experience. A number of small organisations described a reluctance on the part of the lead agency NGOs they were working with to meet with them, to take on their suggestions and perspectives, or to recognise the expertise they had in delivering appropriate services to local people.

Many of those interviewed reported difficulties in developing meaningful partnerships with lead agency organisations as they had to speak to someone different at every stage of the process.

Even those who spoke about participating in a stronger, positive partnership with lead agency organisations said that they were presented with a model rather than having an opportunity to develop one with the lead agency organisation. In some cases suggestions from small partner organisations were incorporated into the model but this was the extent of joint development work.

For a number of organisations, getting adequate information from the lead agency organisation about the preferred model was raised as a particular concern. Interview participants reported that in many cases lead agency organisations would call and ask for detailed information about all aspects of the organisation without providing any information about the context in which that information was to be used in the submission.

In some cases, small organisations were contacted and asked to be partners at the last minute by lead agency organisations with little or no information about what the partnership might entail.

Pressured Timeframes

All of those interviewed identified time pressure as a major challenge in participating in the EIP tendering process. They described the overall timeframe for the process as difficult but also the requirement to drop everything to meet tight deadlines, followed by a period of inactivity and then another very busy period. This created problems for small organisations in planning and undertaking other management tasks during the EIP tendering process.

The requirement for working in partnership, while seen as a positive by those interviewed, was highlighted as placing a significant drain on time during the process. There was a strong view that the time needed in developing and/or consolidating

partnerships for the EIP was not considered adequately by DoCS when it developed the timelines for the tendering process.

Many of those interviewed reported being captive to the timetables of lead agency organisations and this, coupled with the difficulty experienced by a number of these organisations in getting information from lead agency organisations, contributed to a perception that they were relatively powerless partners in the tendering process.

Access to Resources to Undertake the Process

All of those interviewed identified the issue of available resources as a major challenge for small organisations participating in the EIP tendering process. Both time and access to specialist skills (particularly regarding legal and financial issues) were major concerns for small organisations and a number said that they would not have had the capacity to participate without the financial and legal resources of larger organisations to complete the requirements of the tender.

In a number of cases this access to the resources of larger organisations was viewed as a benefit in the EIP process. For others it raised the questions regarding the capacity for smaller organisations to participate in future tenders of the size and complexity of the EIP. Concerns raised by interviewees included a fear that small organisations would become “branches” of larger organisations rather than maintain their independence if this funding model was to be widely used in the future.

The Funding Model

Aspects of the funding model itself were also of concern for a number of those interviewed. The ‘funding model’ here refers to the structure and specifications of the DoCS EIP funding arrangements. Specific concerns were:

Increased Accountabilities for Small Organisations without Adequate Resources

There was a strong concern expressed by many of those interviewed who were part of successful partnerships that a key outcome for their organisation would be an extra level of accountability (to the lead agency in addition to DoCS) for the services they provide but that the resources for this had not been included in the EIP tender.

There was a significant level of uncertainty expressed by these interview participants about the level and range of accountabilities they were responsible for as partners in the EIP, and about whether there were any resources allocated in the tender to address the work involved for the organisation.

Regional Approach to Service and Funding Structures

A major strength of small community organisations, stressed by all of those interviewed, was their connection and accountabilities to local families and communities. There was considerable concern expressed by those interviewed that the regional structure in which the EIP tendering process was organised, created a major barrier for locally-based small organisations to participate.

Interview participants reported a concern that the regional organisation of funding programs such as the EIP had the potential to facilitate the demise of local organisations in favour of larger regional, statewide or national organisations. While many of these participants were hopeful that the development of consortiums provided support for the continuance of small organisations as viable players in the community sector, there was also an acknowledgement of the time, resources and expertise required in developing and maintaining healthy consortiums.

Uncertainty about Pathways/Entry Points to Services for Clients

Two major concerns were raised in interviews about the pathways and entry points for clients to existing small services in the EIP. Both concerns focus on the role of DoCS in referring and/or approving clients for the Program.

Firstly, where a client accesses a service that is part of the EIP via a pathway other than a DoCS referral, there is uncertainty about whether this client will need to be approved by DoCS in order to use the service or whether the service can make the decision itself. For a number of those interviewed this had created confusion about regulatory and service responsibilities. There was a fear expressed that many clients would not use the service if it was perceived as a de facto DoCS agency rather than a family and community support organisation.

Secondly, many of those interviewed expected that the number of direct referrals of clients from DoCS would increase with the danger of crowding out other clients who are just outside the EIP criteria. The concern expressed here was that the EIP model may inadvertently push more clients into the priority group over time as they had not been able to access assistance from the service at an earlier stage.

Scale and Complexity of Tender

For interview participants both the scale and complexity of the EIP tendering process raised questions about the capacity of small organisations to tender for State government funding programs in the future.

A number of interview participants reflected on the ability of large organisations to dedicate significant resources to large tendering processes compared to small organisations which may have only one or two people responsible for all management and policy roles including that of seeking funding.

One danger highlighted for small organisations if they are unable to tender for large, longer term funding programs such as EIP was an increasing instability as they relied more on small, short term funding sources that they had the resources to bid for. The impact here for the delivery of long term support services at a local level was a significant concern.

Uncertainty About Governance Structures, Contractual Arrangements and the Practicalities of Service Delivery

There was a high level of uncertainty amongst those interviewed who were successful partners in the EIP tendering process about how funding would be managed, what the governance arrangements would be between small organisation partners, lead agencies and DoCS, and in many cases what the service model would look like in operation.

Many of the interview participants expressed a concern that the tendering process and funding model rolled out by DoCS for the EIP appeared like a work in progress.

There was a deep level of dissatisfaction amongst those interviewed regarding the detail of the funding framework, and of the governance and operational aspect of the Program.

One Size Fits all

The final concern raised by many of those interviewed in regard to the funding model was a perception that it encouraged a 'one size fits all' approach, and did not allow enough room for the development of service models and types in response to the needs of particular communities.

An observation made by a number of those interviewed was that the timeframes, lead agency structure, and documentation favoured the development of a service model quickly by the lead agency, made up of generic components (such as home visiting, family support, children's services) rather than a model that looked at the demographic, cultural and service access issues in local communities.

While those interviewed universally expressed a view that small locally-based community organisations were in a unique position to tailor their services to specific community needs, many interviewees said that they did not feel that the process for developing service models for the EIP took account of this adequately.

Conclusions and Recommendations

Conclusions based on the evidence gathered in this Project from both the available literature and interviews, largely confirm a range of existing concerns for small community organisations regarding their ability to compete for funding under the new DoCS policy, uncertainty about their future role as significant players in the community sector, and the long term viability of current service structures and approaches.

While it is too early to make an informed assessment about whether these concerns will be substantiated over time as a result of the EIP and future DoCs funding programs, they raise important questions about the structure the community sector overall, and particularly the role of smaller organisations in that structure.

The perception by most of those interviewed that DoCs is communicating confusing messages regarding the role of small organisations (endorsing their value in the sector while implementing a funding policy that makes it more difficult for them to participate in larger tenders) is a source of frustration for many.

Recommendations from the project fall under two headings:

Impacts of the EIP funding process

- ◆ State and regional peak bodies should initiate discussions with the NSW Department of Community Services in order to feedback issues of concern and suggestions for improvement in relation to the Early Intervention Program tendering process. It is recommended that these discussions review the following issues:
 - The clarity and consistency of information provided by the Department to small organisations throughout the EIP tendering process;
 - Timeframes for the completion of each stage of the process; and
 - Timeframes and resources required for the development of consortiums as part of the tendering process.

- ◆ State and regional peak bodies should initiate discussions between large not-for-profit organisations and small community sector organisations for the purpose of developing protocols and models for partnership in light of the lessons learned through the EIP tendering process.

Impacts of the Department of Community Services (DoCS) Funding Policy

- ◆ State and regional peak bodies should initiate discussions with the Department of Community Services requesting that the Department review structural and process barriers to competitive participation experienced by small organisations as a result of the new DoCS Funding Policy.
- ◆ The Department of Community Services should review the new Funding Policy in light of the barriers to competitive participation that have impacted on small organisations and amend the Policy to ensure a level competitive playing field.
- ◆ Resources should be provided by the NSW government and administered through State and regional peak bodies, to assist small community sector organisations in making the transition to the new funding environment demonstrated in the DoCS Funding Policy. Specific issues include:
 - Processes, models, legal and financial requirements for the formation of consortiums;
 - Development of costing models that reflect the true cost of services to be included in future tenders;
 - Training for staff and management committees in writing tenders;
 - Assistance in organisational re-structuring to respond to the Funding Policy requirements; and
 - Development of streamlined IT and administrative systems between small organisations to reduce costs and improve efficiency for these organisations.
- ◆ A local area planning process should be included in the DoCS Funding Policy that ensures local knowledge and issues are included in regional funding programs.
- ◆ An annual review of the DoCS Funding Policy should be conducted to evaluate:
 - Any change to the range and level of services for communities across NSW as a result of the Policy;
 - Value for money under the Funding Policy compared to other funding models; and
 - Any change in the number or range of small organisations participating in tendering and service delivery as a result of the implementation of the Funding Policy.

Appendix A

Schedule of Interview Questions

1. Tell me about this organisation and the range of services it provides.
2. What are the range of funding sources that the organisation receives?
3. Tell me about the different groups of people in the local community who access this organisation.
4. You recently took part in the expressions of interest process for the DoCS Early Intervention Program. Tell me about the positives of that process.
5. What were/are the major challenges the organisation experienced through the process?
6. As a small community organisation what are the changes have you experienced so far as a result of DoCS funding policy as seen in the EIP process?
7. The funding model used in the EIP process was really a brokerage one, with a large lead organisation and smaller partner organizations. What were the benefits and challenges of working with a large organisation in this way?
8. How does this funding policy impact on the most marginalized groups and individuals accessing the organisation?
9. What do you think that the impacts of using this kind of funding policy will be on the most marginalized groups that access this organisation?
10. Are there any groups of people in the community who access the services you provide now, that will miss out on services as a result of the DoCs funding approach? Who are they? What do you envisage will happen to those groups?
11. How much time did this organisation spend participating in the DoCs EIP process? What do you think that cost the organisation?
12. On average how much time is spent by the organisation in seeking funding each year?
13. How much would you estimate are the costs to the organisation of monitoring and other accountabilities to funders?
14. What are the impacts that this time and the costs associated with it have on service delivery for this organisation?
15. What are the three key challenges that this organisation is grappling with to remain viable in the long term?

16. Tell me about some of the ways in which this organisation has addressed the issues of multiple accountabilities, time and costs of seeking and managing government funding.
17. What are the organisation's plans over the next 12 months to respond to the kind of funding policy that we have seen in the DoCS EIP process?
18. If all future State and Federal government funding adopting the policy we have seen in the DoCS EIP process, describe what your organisation would look like - structure, partnerships, focus, existence.

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