AUSSIE RULES

The Australian voluntary sector is thriving: as well as employing 7 per cent of the population, it is well-established as a provider of public services. But fundraising legislation is still a problem. Three experts explain how the system works

The way down under

What has the sector in Australia learned from its history of public funding? Mike Hudson found out

In September,I had the privilege of spending two weeks in Sydney, Canberra and Melbourne to interview 30 chief executives of large service delivery non-profits, intermediary organisations and their government funders.

One topic I wanted to explore was public service delivery. I knew the Australian non-profit sector had a more extensive history of public funding than the UK's and I wanted to discover what they had learned. Funded by a small grant from the Centre for Charity Effectiveness at Cass Business School, London, I set off with a heap of background papers on the sector,a gruelling interview schedule and the now obligatory laptop.

I learned a lot,not least that the sector can deliver. A significant proportion of health, education, employment community services and `human services' (care for older people,disability and children's services) are delivered by non-profit organisations. One estimate suggests that more than half of all welfare services are provided by non-profit bodies.

In one example,the £4bn per annum Department of Human Services in the state of Victoria contracts out 75 per cent of its services (by value) to 2,600 agencies,2,000 of which are non-profits. The biggest voluntary sector providers are huge. The top five have incomes ranging from £300m to £760m,so the largest is twice the size of the National Trust.Nearly 7 per cent of Australians are employed in the sector,compared with 2 per cent in the UK. Putting services up for tender has worked in certain circumstances.As part of the global trend of the 1990s, there were moves at both federal and state levels of government to subject many services to competitive tender. The most common view is that tendering is appropriate where there are many potential suppliers.

But in fields where the supplying organisations are not strong or where there are few potential suppliers, many funders have concluded that a partnership approach is needed to develop the capacity of the sector.As one funder says:ªWe went through a complex and expensive process and ended up with the same providers we had in the first place.º Although many public sector funders want to spend more on non-profit providers, they now stress the importance of building capacity and working together to achieve shared objectives. In many fields, organisations must be accredited by government before they can tender for contracts. This has proved valuable but expensive,often requiring organisations to provide substantial evidence that they can meet quality standards and involve independent assessments of performance. Both funders and funded organisations agree that the process of accreditation does help to strengthen non-profits, even though it can be seen as bureaucratic and expensive. They have learned that the system has to be dynamic and developmental, incorporating a strong commitment to continuous improvement to ensure it delivers enduring benefits. This also means being tough on poor performance. Jane Herrington of Victoria's Department of Human Services says:ªWe have to be willing to end the funding of organisations that do not meet the required standards.º

When it comes to funding, Australian experiences show that block funding is not the only option.Although it is required for some services, in other cases it is proving possible to purchase outputs, such as `episodes of care',`hours of service' and `bed nights provided'.

For common services such as care for older people and pre-school education, some funders establish a `unit price' for the service and then agree the volume to be provided by the supplier. These prices can take account of people's different needs and, for example, provide greater funding for frail, elderly or chronically unemployed people. Interestingly, outcome funding does not necessarily mean payments are made only after results have been achieved. The best funders make prospective payments and reconcile funding at the year end to ensure that organisations are not constrained by a lack of money.

While funders in the UK battle with the concept of full cost recovery,in Australia it is often accepted that voluntary organisations make a profit. Like Britain,the sector in Australia grew from a tradition of expecting voluntary income to top up government funding,and this is still the case in some social welfare services.But in others,such as employment services,where there are now many providers from the public, private and non-profit sectors, it is entirely accepted that the more efficient suppliers can make profits from these services.

The Salvation Army, for example, sees its employment services as a profitable enterprise. Payments depend on achieving agreed outcomes, and the profits are used to fund other services the charity provides.

A common theme in my interviews was the need for prevention and early intervention.The Brotherhood of St Laurence is an established organisation that provides welfare services and advocates for social justice. It focuses on providing assistance during critical life transitions, such as moving on to further education or retirement. It works with people most at risk of not making these transitions successfully because they lack income, transport, education,health or personal support networks. Similarly, the federal Department of Family and Community Services encourages early intervention. Evan Lewis, the department's programme director, says: ªWe are trying to shift non-profits into taking more preventive approaches.

There is much to learn from our friends down under.Although they don't pretend to have all the answers, they are driving an agenda of greater public service delivery by non-profits and making interesting discoveries along the way.

Mike Hudson is director of management consultancy the Compass Partnership. Case studies from his research will appear in the spring edition of Third Sector's Interaction supplement.