

STATE EXPECTATIONS OF NON-GOVERNMENT ORGANISATIONS

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**GOVERNANCE AND PARTNERSHIP IN THE THIRD SECTOR –
RECONCILING AGENDA FOR CHANGE
A JOINT VCOSS AND MONASH UNIVERSITY EVENT
FRIDAY 27 APRIL 2001, 11-11:45 AM**

Thank you for the opportunity to join you today. The theme of the conference - Governance and Partnership in the Third Sector - is a critical one for the government and non-government sector in Victoria. We are in a period of change in the relationship between the government and non-government sector and today provides an occasion to reflect on the changes that have already occurred and to deliberate on the directions for the future.

INTRODUCTION

From the outset I would like to redefine the focus of my address. We need to be discussing the **relationship** between the State and Non-government organisations. This is not to say that there are not expectations, but these expectations are reciprocal. The respective role of the State and of non-government organizations in our community involves the development of a relationship with mutual respect and two way accountability.

Before outlining my approach to developing this relationship with the non government sector, it is important to share some perspectives about the non government sector by understanding the diversity and contribution of the non government sector in Victoria. There is a long history of commitment and involvement by the non government sector in Victoria. Most importantly, I think it is critical to review the impact of the recent past and convey my commitment to reversing the negative consequences of competitive tendering.

Within this context I will outline my expectations of both the State and of Non government organizations in relation to:

- The way we work - the Partnership to be developed;
- Expectations of the State; and
- Expectations of Non government organisations

THE DIVERSITY OF THE NON GOVERNMENT SECTOR IN VICTORIA

- Non government organisations are neither a part of the State nor a part of the market. They have a legal status in their own right with specific requirements and reporting responsibilities.
- It is not reasonable to talk about a homogeneous sector with the same level of expectations and accountability when the range and size of organisations is considered.
- The total size of the non government sector in Victoria is large. DHS alone works with over 2,419 non government organisations.¹
- The range of activities of non government organisations include:
 - Service delivery in the areas of children's services, aged care, disability services, neighborhood houses and health care;
 - Policy development and advice through peak organizations; and

¹ SAMS 6/12/2000 reported in PAEC submission

- Advocacy on behalf of individual citizens.
- Outside DHS non government organisations are responsible for a range of sport, recreation and cultural groups to identify just a few.
- Organizations range from small community groups running a neighborhood house to large multi service delivery organisations such as church based service organizations.
- An important aspect of non government organisations is their capacity and sometimes total reliance on, volunteers for continued activities. As Minister Responsible for the International Year of Volunteers I want to take this opportunity to particularly recognise all those people who contribute their time and skills to the community. For many non government organisations their contribution comes in the form of working as a voluntary Board member and in others in providing direct services. Their contribution generates enormous goodwill as well as very direct economic benefit to the sector. Without their contribution many non government organisations would be unable to continue.

THE CONTRIBUTION OF THE NON GOVERNMENT SECTOR IN VICTORIA

- Non government organisations have a proud record in Victoria. In many fields of service they have contributed expertise and special services that would not otherwise have been available to our citizens.
- If I can use one example, in the area of services to people with a disability, non government organisations in Victoria established community services in the early post World War 2 period when the only services offered by the State were large institutions. Their work provided an opportunity for families to care for their disabled family member and to provide education. While there have been many criticisms of the sector in recent years, it must be recognised that the community led

the way in providing alternatives to institutional care. It took the State many years to follow the lead set by community organizations.

- Non government organisations are able to base their activities on local knowledge, advocate on behalf of their constituents and provide an avenue for communities of interest to take a role in determining their own needs and contribute to public discourse. VCOSS has brought together communities of interest and enabled input to important review processes within this State.

RECENT PAST

- Victorian non government organisations have experienced a period of contracting and the application of market rules in their relationship with government.
- Compulsory competitive tendering assumes that there is a market comprised of independent and competing entities.
- Competitive tendering ignores a number of features of the non government sector and their role in the delivery of community services:
 - Cooperation and collaboration between similar services is often more important in the delivery of systemic and quality services;
 - Community services require continuity of services because they are built on relationships between individuals and networks of service providers;
 - Competitive tendering on an annual basis has a major destabilizing impact;
 - Competitive tendering requires tight specification of what is to be delivered. Community services are not readily specified for the purposes of contractual relationships. Quality services are often dependent on interpretation, capacity to be flexible and to be responsive to changes in local requirements (for example, shifts in

requirement hours of child care or level of support to a person with complex support needs);

- The result of this period of compulsory competitive tendering has been far reaching. Community organisations have expressed serious criticisms about how this has impacted on community services.
- As noted in their submission to the Public Accounts and Estimates Committee VCOSS stated: "Over a number of years (in reference to DHS) systems, processes and procedures in relation to service agreements have diverted energies from the vital areas of policy development, service planning, monitoring and evaluation in head and regional offices and in their relationship with service providers in the field. Often the only relationship between the contract manager and the provider is around negotiations on the actual service agreement, as presented by DHS, rather than focusing upon the development and support of a quality service."
- This government has made very clear statements about the negative impact of compulsory competitive tendering in the community services sector, where that process clearly is a barrier to the development of cooperation and collaborative planning

LOOKING TO THE FUTURE

The policy framework of the State government has been built on a platform of four policy pillars:

1. Delivering improved services.
2. Restoring democracy.
3. Promoting growth across the whole of Victoria.
4. Responsible financial management.

- This platform informs the work of all State Government portfolios. In addition, the Victorian Government is focusing on three broad strategic frameworks: economic, social and environmental, which will further refine this policy base. The Social Development Framework will set clear directions to build the capacity of individuals and communities and reduce inequality and disadvantage.
- The Government's strategic social development framework will set out the Government's social priorities by providing a coherent and connected set of high level social outcomes that policy and program initiatives will strive to achieve to make a difference for Victorians.
- In December 2000 I released the document "Stronger Citizens, Stronger Families, Stronger Communities, Partnerships in Community Care." This document sets out the approach of this Government to developing a strategy in community services.
- One of the forces driving the need for new social development directions that has been identified is the changing relationship between people and place. There is a renewal of awareness of the importance of local places, communities and social networks as a basis for trust, belonging and reciprocity.
- In recent years there has been a decline in social infrastructure investment; growth in inequality and a focus on competition to the exclusion of more collaborative relations. Many people are feeling excluded from the mainstream of civic and economic life; many public institutions are still fragile. Trust in democratic processes needs careful rebuilding.²
- In a recent paper commissioned by the Government Associate Professor Alison McClelland identified the extent of poverty and social exclusion in Victoria.³ Alison

² Stronger Citizens, Stronger Families, Stronger Communities, Partnerships in Community Care

³ Alison McClelland "Overcoming Poverty and Strengthening Social Inclusion: Policy Issues and Options for the Victorian Government" October, 2000

argues that the level of poverty in Victorians unacceptable and demands urgent and concerted action. She powerfully describes the link between increasing poverty and exclusion to growing community division and increasing isolation, which, in the long term, threatens democratic governance and civil society in Victoria.

- The importance of drawing on this broad context today is to emphasize my view that the problems that we are faced with cannot be dealt with by Government in isolation. Non government organisations are an important social institution in our society and one that needs to be recognised, valued and respected. Government wants to work in partnership with non government organisations, and other sectors in our society, to restore the level of democracy and growth for the benefit of all that is vital for the long term future.

- **DEVELOPING A PARTNERSHIP APPROACH WITH NON GOVERNMENT ORGANIZATIONS**

- Alison McClelland made the following recommendation in her paper: "For community and welfare organisations, capacity building involves the development of the capacity to understand changing needs, to be innovative and open and to be genuinely reflective about the effectiveness of the services they deliver. This requires much greater attention to their research and development capacity and to recognition of their partnership role with government.⁴ It is this partnership that I now want to concentrate on.
- The Department of Human Services has made a commitment to developing a Partnership Compact and new Consultative mechanisms between the Department, the community non-government sector and Local Government. This commitment has

⁴ Alison McClelland p.21

been made in the submission to the Public Accounts and Estimates Committee Inquiry into Department of Human Services Service Agreements. Making this commitment is the first step in recognizing and respecting the role of non government organizations.

- The department is committed to exploring with the sector a range of specific initiatives to give effect to a new relationship with agencies based on partnership principles. These are:
 - Initiation of discussions with the non government and local government sectors on a possible "Partnership Compact"; the establishment of a DHS-wide consultative mechanism that will include representatives of the major peak bodies and a selection of 'grass roots' agencies;
 - An annual survey of provider satisfaction designed to measure DHS' progress in all areas towards adopting a partnership-based relationship, including staff cultural change and responsiveness;
 - Revamp of the Service Agreement format and content. This includes a simplification of the reporting requirements in Service Agreements and a reduction in the number of separate funding streams and the creation of an integrated accountability structure that links the various requirements of agencies and the Department. A substantial change is planned to the Service Agreement format to consolidate the multiple "service plan templates" into a simpler and more transparent list of outputs to be achieved by agencies. The format will also draw together the quality standards and guidelines which apply to the organization into a single list that will be easily accessible for organizations and updated regularly;

- The other proposed revamp of Service Agreements is to include “free text” sections that require the department and the organization to have discussion and negotiate on important issues such as quality improvement, client feedback, innovation, governance/management and infrastructure development across the total agency, rather than being tied only to negotiations about specific program outputs.
- These changes are recognition of the relationship between non government organizations and the Department. The previous purchaser/provider split treated organizations as a part of a production line. We are committed to replacing contract management with a relationship based on an understanding of the nature of the organization and founded in the partnership compact that I will outline shortly.
- A statement of partnership values and behaviors for DHS staff will be included in the revamped Funding and Purchasing Guide. The changes are as important in how they change behavior as much as form and structure.
- While these initiatives recognise the need for a more collaborative and productive working relationship with DHS, the Department's key relationship is with the community and users of services and this remains the overriding goal. It is expected that community agencies will want to bring a strong client focus to the relationship and will have ways of consulting independently with their client groups.⁵

The Partnership Compact is a direction adopted by the Blair Government in the United Kingdom. The Partnership Compact was developed between the Government and the voluntary sector following extensive consultation and is viewed as a general framework

⁵ Second submission to PAEC, March 2001 p.15-16

and enabling mechanism to enhance the relationship between Government and the sector.

- The Compact is: a memorandum concerning relations between the Government and the voluntary and community sector. It is not a legally binding document. Its authority is derived from the endorsement by Government and by the voluntary and community sectors itself through its consultation process.⁶ (UK Compact).
- The underlying philosophy of the compact is critical to the Victorian context and that is to recognise that voluntary and community effort is fundamental to the development of democratic, socially inclusive society and that they bring a distinctive and valued role to our society. They offer opportunities to individuals to contribute to public life and bring skills and values that would otherwise go untapped in our community.
- The sentiments expressed in the description of the Compact are reflective of my own views and I hope will be shared by all Victorians. I want to read the summary statement to you because I believe it is as applicable to Victoria as it is in the UK.

"Voluntary and community organisations make a major and literally incalculable contribution to the development of society and to the social, cultural, economic and political life of the nation. They act as pathfinders for the involvement of users in the design and delivery of services and often act as advocates for those who otherwise have no voice. In doing so they promote equality and diversity. They help to alleviate poverty, improve the quality of life and involve the socially

⁶ Compact Getting it right together presented to parliament by the Secretary of State for the Home Department November 1998

excluded. The voluntary and community sector also makes an important direct economic contribution to the nation."⁷

- We have a long way to go in Victoria. Partnership is understood to be a collaborative arrangement between Government and the sector, based on mutual respect and acknowledgement of the different and complementary roles and responsibilities, aimed at achieving agreed outcomes for individuals, families and communities. It is based on the concepts of reciprocity and continuity.
- Partnership does not mean joint decision-making and absolute agreement on all issues. At the end of the day the Government must make difficult decisions and how we allocate resources and sources of information. Supporting the sector to "have its say" does not mean that it will always "have its way". There are other sectors and competing demands on resources that will always need to be taken into account.
- The Department of Human Services believes there is value in commencing discussions on the principles underlying a partnership approach as soon as possible to assist in cultural change in the Department by informing staff of what is expected in the new partnership model.
- We are at the beginning of redefining the respective roles of the State and non government organisations. For instance, I am aware that some of you consider that the proposal of principles for a partnership by the Department of Human Services was premature. The principles should emerge from joint discussion and evolve. It is intended that the principles form the basis for discussion with the sector and that we can develop our partnership from having this starting point. It also highlights the

⁷ Ibid

degree to which the State and non government sectors have lost mutual regard and respect that we have to find our way to an agreeable starting point.

EXPECTATIONS OF THE STATE

- Now that I have set out the context for the relationship between the State and the non government sector and a vision for the development of a Partnership I will turn to some specific expectations. First, what I consider are reasonable expectations from the State of the non government sector and second, what the non government sector can reasonably expect from the State.

STATE EXPECTATIONS OF NON GOVERNMENT ORGANIZATIONS

- A high standard of governance and accountability is the first issue on my list of expectations. There has been a high level of accountability for the financial management of organisations. This is a narrow definition of accountability and needs to be broadened to encompass all aspects of governance. There are several critical components to governance in any organisation. This includes:
 - Financial responsibility but is not limited to financial responsibility;
 - Representativeness of the organisation. When non government organisations present themselves as advocates and representatives of their constituents it is reasonable to expect that that representation is based on the views of the membership, including the views of clients of the organisation;
 - Transparent decision making processes at Board level and delegation to paid executive staff;

- Respect for and valuing of staff of the organisation and adherence to appropriate requirements as an employer (Equal Opportunity, Occupational Health and Safety, Industrial Awards)
- A commitment to high quality services expressed through an openness to external evaluation and accreditation.
- A key strength of non government organizations is the capacity to have a closer link to the community, either the local geographic community or the community of interest. For example, people with neurological disorders are a small population across the State but their common interest is to ensure service provision and advocacy for all members throughout the State. Knowledge of local communities based on research and engagement with the local community or the constituency that is served is a critical strength of non government organizations and one that we can expect to be a continuing source of input to government.
- Valuing and engaging with clients who use services is high on my list of expectations. This includes clients having a say in how services are provided and being empowered to do so.
- A final expectation of non government organizations is that the organization, through its staff and Board, promotes effective working relationships internally and externally. The changes in the relationship between the government and non government organizations also needs to permeate the relationship between non government organizations so that the work undertaken is done collaboratively and systematically to improve the services received by Victorians.

WHAT CAN NON GOVERNMENT ORGANIZATIONS EXPECT OF THE STATE

- I have outlined the notion of a Partnership Compact. The non government sector can expect that the notion of a Partnership Compact will be developed in consultation with all segments of the sector. The sector can expect to have a say about the consultative structures and the methods used to bridge the gap that has been a feature of the recent past.
- DHS is committed to seeking agency feedback over time about how it is progressing and whether procedures and processes have actually improved. Just as the State has an expectation that there be consultation and feedback from clients about the services they deliver, the State is open to feedback about how it is managing its part in the relationship.
- A major criticism in the past has been about the timing of funds allocation and the timing of discussions about Funding and Service Agreements. The Department is committed to a more timely allocation of Funds to agencies. This requires changes to internal procedures and to patterns of behavior.
- The actual form of Service Agreements needs to reflect the changed nature of the relationship so that it is a statement of a truly negotiated agreement and not a standard commercial contract.
- The State will recognize the independence of the non government sector in all its relations.

CONCLUSION

I commenced my discussion this morning with the statement that we needed to be discussing the **relationship** between the State and Non-government organizations. The relationship involves mutual respect and two way accountability. This is not to say that there are not expectations, but these expectations are reciprocal. I have outlined what I consider to be the expectations that can reasonably be held by both the State and non-

government organizations. I hope that this provides a sound basis for discussion and moving in the direction of a firm partnership to improve the provision of community services in Victoria.