NATIONAL DISABILITY SERVICES (NDS) ACT

Strengthening the Sector

REPORT

May 2007

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Com Management

Foreword

NDS (formerly ACROD Ltd) is the national industry association for disability services, representing over 600 not-for-profit organisations. Collectively, the members operate several thousand services for Australians with all types of disability. NDS's members range in size from small support groups to large multi-service organisations, and are located in every State and Territory across Australia. NDS ACT has 28 members.

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National Disability Services (NDS) ACT

Strengthening the Sector

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Strengthening the Sector

1. EXECUTIVE SUMMARY

1.1 This report was commissioned in February 2007 by National Disability Services ACT (NDS ACT), formerly ACROD ACT. It follows the earlier Bennett Report of January 2006 for NDS ACT that made various recommendations to the ACT government regarding the role of the Department of Disability, Housing and Community Services (DHCS) in working with NDS (ACT) members to ensure the continuing quality service provision sustainability of disability services in the ACT.

1.2 The overall objective requested of this report was that it should provide information and recommendations that will assist NDS ACT to support its members to remain sustainable while providing quality services to the ACT community.

1.3 More recently, on the same theme, the National Disability Services issued its Strategic Plan 2007-11. The Strategic Priority 1 is to "Equip members to adapt to a new world". This new world refers to the increasing complexity of managing an NGO and the need for service providers to have as much information, skills and support as possible to allow them to make appropriate strategic and management decisions to meet the challenges and opportunities they face. The function of NDS is specifically articulated in the Strategic Plan as "NDS will have a clear role in assisting organisations to achieve sustainability in this new world". (page 1)

1.4 Part of the 2006 Bennett Report made recommendations directly relating to NDS ACT members. They include the following.

It is also recommended that ACROD ACT:

1. *Develop a Sector standard for the recording and analysis of infrastructure costs to allow better understanding of the real costs of providing services. These costs to involve tracking unit costs, ratios of administrative to support staff and so on.*

2. *The improvements in information should allow ACROD ACT members, in consultation with Disability ACT, to adopt Best Practice Models for benchmarking key elements of their infrastructure and other management system costs.*

3. *ACROD ACT continue and strengthen its efforts in the sharing of resources and expertise – including physical assets, training, recruiting staff, Human Resources Management, including recruitment, QAS, etc. Naturally the opportunity for choice, innovation and difference needs to be maintained – which should be a positive outcome of this process.*

1.5 An additional aim of this report is to identify how not-for-profit organisations in the Disability Sector in the ACT can strengthen their financial and operational sustainability to be able to focus as much as possible on their existing clients.

1.6 The challenges facing NDS ACT members are all too familiar and include infrastructure costs increasing beyond the rate of government grant income growth, wage levels similarly increasing, major difficulties getting and retaining workers and the impact of "competition" for funds on the size and viability of community service organisations. It is important to note that 80 per cent of community service organisations funded by HACC and approximately the same

percentage of disability service organisations funded by the ACT DHCS have less than $1 million in revenue from them and indeed approximately the same situation applies with Commonwealth funding.

1.7 This report suggests that members consider three paths for improving their sustainability and relevance.

1.7.1 Essentially continue to improve their services in line with Sector Best Practice with support from each other and NDS ACT.

1.7.2 Consider cooperative, outsourcing and other arrangements for purchasing cars, equipment, recruitment, staffing, training and so on. Again with the support of other NDS members and NDS ACT in particular.

1.7.2 Consider reviewing their current size and structure with a view to developing closer links with other compatible services through possible alliances, partnerships, consortiums and mergers.

Strengthening the Sector Program

1.8 This report provides information and options for disability service providers relating to developing the best practice management system and decisions and indeed the optimum size and structure for every disability service to consider as it plans its future. It promotes an approach to strengthening the capacity and capabilities of all not-for-profit disability services in the ACT regardless of their size, structures or service levels.

1.9 To quote further from the NDS Strategic Plan 2007-2011: "To survive in this complex world, service providers will require sophisticated data collection and management systems, skills at preparing tenders and identifying evidence of outcomes … Service providers will need to

make judgements about the optimal structure and configuration of their organisation." This report suggests the time for NDS (ACT) members to begin the process is now.

1.10 The report recommends NDS ACT should consider playing a more active role in supporting members in strengthening their organisations. This support could be formalised in a **Strengthening the Sector program** by NDS ACT.

1.11 It is suggested that objectives of the recommended NDS ACT's Strengthening the Sector program should include the following.

1.11.1 Provide information, advice and support to allow members the opportunity for reducing costs and increasing the quality of the management, staffing and other infrastructure support, such as financial and IT services, as they build their future.

1.11.2 Generate strategies that strengthen the ability of members to provide the most effective and efficient size and structure for their organisation.

1.11.3 Optimise the capacity and capabilities of members to deliver high quality services to their clients through lowering infrastructure costs.

1.11.4 Develop the capacity and capabilities of services through facilitating the provision of infrastructure and other support to the sector.

1.11.5 Provide monitoring and other support in the linkages between service providers, government and other stakeholders to maximise the support to members.

1.11.6 Act as a support and resource to encourage best practice and high quality management that will allow high quality service delivery to clients.

Recommendations

1.12 The following recommendations are made for consideration by NDS ACT.

Recommendation 1

NDS ACT seek DHCS ACT funding to assist in the employment of a Sector Development Officer or Manager. This person employed on an initial one year contract by NDS ACT to assist members by undertaking the following.

- Develop and facilitate an Infrastructure Support Program for members that will identify standards for the provision of IT, financial services, recruitment, training and other infrastructure services and encourage suppliers, such as ACT large not-for-profit and specialist organisations to offer these services.
- Develop, through outsourcing to large not-for-profit organisations or specialist providers a research, information and benchmarking service that provides members with information and guidelines to achieve governance and management best practice and to assist them to achieve quality assurance.
- Develop or outsource in an appropriate way a Management and Leadership Development and Mentoring Program specific to the needs of Disability Services in the ACT – or organisations for which a disability service is a significant component of their overall programs.
- Develop or outsource in an appropriate way a Coordinator and Team Leader Training and Development Program for the Sector.
- Identify and develop other methods by which NDS ACT can support members to develop their capacity and capability.

Recommendation 2

NDS ACT develop a proposal for their members to consider outsourcing and/or cooperatively buying infrastructure and other direct products and services. The suggested model is for NDS ACT to develop an advisory or support function to assist members to identify and work with the suppliers of such services. This could be part of the function of the proposed Sector Development Manager referred to in Recommendation 1.

Recommendation 3

NDS ACT encourage all members to review their current structure and strategic direction and consider possible partnerships, alliances, mergers or other methods of cooperation and integration.

Recommendation 4

NDS ACT provide workshops and other information to facilitate members and interested non-members to discuss and determine the approach they will take in response to the information and recommendations made in this report.

Strengthening the Sector

2. THE ISSUES FACING MEMBERS OF NATIONAL DISABILITY SERVICES ACT

2.1 This section outlines the challenges facing Disability Services in the ACT which, it is suggested, require innovative responses.

2.2 National Disability Services (NDS) ACT members, in common with most community service organisations, are managing in a period of unprecedented changes that include the following.

2.2.1 Uncertainty and a lack of clarity in the funding process.

2.2.2 The increasing requirements of funding agencies for demonstrated adherence to standards through a fully documented quality assurance process.

2.2.3 Increased demands to meet legal compliance obligations.

2.2.4 In many cases a widening gap between the cost of providing a service and the income obtained from the funding body.

2.2.5 Increasing difficulty in finding and retaining staff.

2.2.6 The ever present and often growing needs of clients, especially as the age profiles of clients with disabilities change. The ACOSS 2007 Community Sector survey, for example, found that in the ACT there was a significant growth of unmet community care need, disability accommodation and aged care generally. The same survey indicates the continuing growth of the complexity of client needs.

2.2.7 Increased competition from ACT agencies endeavouring to extend their scope by seeking funding across more programs and increased competition from non-ACT based services.

2.3 There are also positive opportunities for member services to develop even further.

2.3.1 Increased aggregate levels of Commonwealth government funding.

2.3.2 A significantly higher level of expertise in the Sector than even a few years ago.

2.3.3 The potential for increased involvement and support from business and individual donations.

2.3.4 The emergence of many different approaches to providing services through fee for service, business partnerships and, in some cases, social businesses.

2.3.5 The opportunity to collectively rather than competitively determine their future.

2.4 The changes and opportunities facing the sector in the ACT create a degree of urgency for all not-for-profit organisations to review their strategic and management approach to achieving their mission to ensure they are as sustainable and relevant as possible.

2.5 There is, of course, no one model of service delivery or one path which will ensure that a community organisation will manage the challenges and take advantage of the opportunities. However, it is argued that there are some common principles and strategic actions which can form the basis for each organisation to make its decision about its future. Inevitably whatever path a community organisation takes, there is far more benefit from cooperation than acting in isolation.

The Challenges Facing Disability Services

2.6 The pressures of the changes detailed above have deepened and made more critical the management issues facing the Sector in the ACT. This section expands on the key challenges which if not met will see the strong possibility of a slow decline in the service levels and even service sustainability of many organisations. Alternately, if managed well, these challenges will see a strengthening of individual organisations and the Sector as a whole. The challenges facing disability services include the following.

2.7 Managing in a Funding Model where competition rather than cooperation is the underlying, but un-stated, framework within which organisations obtain funding and other support.

2.8 The direct costs of providing services through the employment of people have increased beyond the CPI or even the Award and average wage increases of recent years as emergency service provision, increased service need and rising employee qualifications and skills have increased the wage bill.

2.9 The infrastructure costs of managing a not-for-profit community service in the ACT have risen faster than the funding provided for this purpose. These indirect costs of providing care to people with disabilities (for example, administration, insurance, workers' compensation, the operation of vehicles and equipment and other similar costs) have been increasing in the range of four to six per cent per annum for the last four years while funding has been increasing at under three per cent per annum. Many of these costs, such as workers' compensation, insurance, motor vehicle/petrol and computers are identifiable but a significant number are hidden or absorbed.

2.10 A significant, and difficult to quantify, cost increase for NDS ACT members has been the growing amount of resources that have had to be provided to meet what might be termed compliance and contractual obligations. While it is recognised these costs are part of the obligations of an organisation, there is strong evidence that these have increased at a faster rate than the growth of funding for NDS ACT members. These costs include:

- Occupational Health and Safety
- Quality Assurance/Accreditation
- Increasing compliance obligations in the employment of staff
- Increasing funding body reporting requirements
- The administrative time and costs in reporting on their financial and operational outcomes.

2.11 There is clearly inadequate – indeed almost non-existent – growth in capital funding provided to NDS ACT members. While most members have lower cost rentals in Government-owned facilities, they are dependent for building improvements, new buildings, physical assets such as cars and other capital equipment on government and this has not been adequately forthcoming. There is concern about a slow depreciation in the standard of physical assets available to NDS ACT members. Of particular concern is the need to rapidly adopt new technologies.

2.12 The needs of ACT people with disabilities require a high level of skill at every level of a community service. This challenge is being met but the lack of adequate funding support for developing the skills of disability workers means that community services are only able to provide an average of about one per cent of their budget toward training. Despite the efforts of service providers in this area to up-skill their employees, there is a limit to the extent to which this can be maintained under the current funding situation. This could mean there might be a gradual

slide in the relative skill levels of the Sector, or at the very least prevent the achievement of best practice.

2.13 It is suggested that with less than one per cent of members' funding available for training, a potential long-term skills and retention crisis is looming.

2.14 The net effect of these cost pressures is that NDS ACT members face - unless they make appropriate decisions now - higher costs, smaller margins to cope with unexpected events and increased risks through less-than-adequate training and resources to support service delivery, and the strong possibility of a slow decline in service levels and even service sustainability.

Strengthening the Sector

3: RESPONDING TO THE CHALLENGES

3.1 It is suggested that all disability services in the ACT consider their current size, structure and management model to see if they need to change the approach or direction they are taking to respond to the challenges identified in the previous section.

3.2 Apart from the obvious test of whether an organisation is currently financially viable and achieving its mission, there are a number of other suggested tests to see if a service has the right size, structure and management model and methods of providing its infrastructure to be sustainable into the future and support its service delivery approach.

3.3 The questions that every community service has to ask of its current situation, within foreseeable trends, include the following:

- If we continue to be funded in exactly the same level and way as now will our risks of not achieving our mission increase?
- Are the costs of providing infrastructure increasing so rapidly it is more and more difficult to ensure high quality support to our coordinators and support workers?
- Will we have to reduce the number of hours of direct service provision to existing clients?
- Will there be a potential reduction in the quality of services provided as the coordinators and staff are stretched to manage the increasing needs of clients and the greater number of hours that need to be spent away from direct support and on administrative activities?
- Is there a high possibility of an increased reliance on the goodwill of the CEO, Managers, Coordinators and staff generally to work

longer, harder and with inadequate resources to provide support of clients?

- Will there be a reduction in the resources available for training which could affect future as well as present clients?
- Do we have increased or reduced opportunities to develop service quality and innovation?
- Is our wage bill rising above our level of funding increases?
- Do we have reduced comparative wage levels (through minimum wage growth) and increased hours of work for staff?
- Are we having difficulty in meeting the legal, compliance and accreditation obligations involved in OH&S and other employment and client requirements due to inadequate resources?
- Is there an increased risk from workers' compensation and litigation due to managing difficult clients with minimum resources?
- Can we get and retain staff as easily as we did, say, five years ago?

3.4 A further evaluation of the long-term strength of your organisation can be obtained by completing the evaluation on the following page.

3.5 The critical strategic question which every disability service provider has to answer is can we be sustainable, relevant and best practice over the next few years through

- improving the management skills, system and data base?
- outsourcing or in some other way meeting infrastructure needs?
- remaining much the same size with perhaps incremental or steady slow growth?
- increasing our size through transformational growth?
- merging with another same size not-for-profit compatible service?
- negotiating to come under the umbrella of a larger organisation as a separate named division or alliance?
- becoming part of a larger organisation?

DO WE HAVE THE CORRECT MANAGEMENT AND STRATEGIC MODEL?

	1 – DISAGREE 5 – FULLY AGREE
1. We have enough resources to meet our service level goals	1 2 3 4 5
2. We can provide efficient and effective support for administrative and financial management	1 2 3 4 5
3. We are able to meet the demands for our services	1 2 3 4 5
4. We have at least three different government departments/auspicing funding programmes providing income so we are not too reliant on funding from any one program	1 2 3 4 5
5. We are the best or close to the best providers of our services and will continue to be so	1 2 3 4 5
6. We believe our costs relative to the quality of our service will remain competitive over the next three-five years	1 2 3 4 5
7. Our infrastructure costs are not increasing as a proportion of our total costs	1 2 3 4 5
8. Our real funding per client has remained the same or increased in the last two years	1 2 3 4 5
9. We have adequate Human Resources and OHS support	1 2 3 4 5
10. We are able to recruit and retain the staff we need	1 2 3 4 5
11. We are able to train our staff to Best Practice standards	1 2 3 4 5
12. Our staff turnover rate is reasonable	1 2 3 4 5
13. We are able to offer our staff promotion, flexible employment conditions or other non remuneration benefits	1 2 3 4 5
14. Our Board feels comfortable with our size	1 2 3 4 5
15. We do not miss out on funding because of our size	1 2 3 4 5
16. We have effective IT hardware and software	1 2 3 4 5
17. We are able to cope with increased demands for compliance	1 2 3 4 5
18. We have adequate funds to replace/update our equipment and maintain our building	1 2 3 4 5
19. We are able to develop high quality strategic, operational and other plans and implement them	1 2 3 4 5
20. We have a profile and situation that means we obtain business and community support through donations, events and other sources of income if required	1 2 3 4 5

Clearly the lower the score the more concerned the Board should be about the organisation's sustainability.

Can we remain as we are?

3.6 It is very difficult to remain the same in a changing world. The answer is almost certainly not. It is also clear that regardless of size all services need to consider how to upgrade their management model, skills and information. All NGOs need to consider if they have the right level of cooperation with other services. Many may also need to consider if they have the appropriate size and structure to remain sustainable and best practice.

3.7 The term small, medium or large size can be applied to an organisation in terms of whether it is national, regional or even "local". Size, of course, has to be seen as its relative size compared to the type of service. However, it is suggested a small-sized community service is one employing less than 25 staff and/or receiving less than $1.5 million in income. A medium-sized service is from $1.5 to $5-6 million and/or from 25 up to 100 staff and a large regional service is defined as one with over $5 million and/or over 100 staff. Over 80 per cent of NDS ACT members can be considered small or medium.

The Smaller Service

3.8 Many community services, once formed, will offer a single or small number of programs generally receiving all or most of their funding from government agencies. The community service will grow as funding increases for the few programs offered and the service's size is very much linked to the availability of funding within the particular geographic area and service type. Until the last five, or perhaps ten, years this smaller – mature – service could provide a good service that was very targeted, flexible and personal. However, the increasing costs of meeting compliance requirements, getting and retaining good staff and attracting funding beyond the very minimal amount provided by the funding agency have made the smaller mature service a very

difficult one to manage. To be effective and sustainable in the long term, a small mature service has to ensure it is offering very high quality services, be very well managed and find ways to overcome the funding limitations. The smaller mature service, offering perhaps two or three programs and with a maximum of 10 to 25 staff has the strategic decision to either get larger, find alternative sources of income to supplement its government contracts or be so efficient and "differentiated" from other services that a funding body or indeed the community would want to see it remain as it is.

3.9 The smaller service has to look closely at controlling its costs, increasing its quality and generally finding its role in the sector. This is obviously possible in many cases but in some may not be and closer alliances, partnerships, consortiums and even mergers need to be considered.

The Medium-Size Service

3.10 A medium-size service can be regarded as one with over 25 staff, with $1.5 million to $2.5 million revenue and having a number of programs. The medium-size community service has advantages, of course, but also can experience difficulties with providing resources for HR, QA, infrastructure, compliance, financial management, fund raising, training, staff recruitment and other non-core functions. It is also difficult to recruit managers and staff with specialist skills. Thus medium-size organisations have their own set of problems as well as strengths.

3.11 The medium-sized service will have a greater range of services and be able to spread its infrastructure costs better than the smaller service but many of the problems discussed earlier in this report remain. The medium size may restrict the opportunity to offer promotion

opportunities to staff, provide adequate HR and training and generally manage the organisation.

The Larger Service

3.12 Even when a community service can be considered large in the ACT – above $5 or $6 million in revenue and over 100 staff, there are always management issues and problems. Size brings with it pressures on the organisation that can affect the quality of the services with so many staff, communication and other problems associated with size. There is also the risk of costs getting out of control, a lack of contact with the community, and problems arising from the complexity of managing diverse programs and change which will test Boards and management.

3.13 It is suggested that, regardless of size or life cycle stage, all NDS ACT members, and for that matter non-NDS ACT members, need to consider how they can cooperate with each other.

Strengthening the Sector

4. THE ADVANTAGES OF COOPERATION

4.1 In response to the challenges and opportunities facing members of NDS ACT and community service organisations in the ACT and surrounding areas, there are a number of actions that can collectively assist these organisations. This section details the options for members accessing infrastructure services from an external organisation or bureau(s).

4.2 Government Departments – Federal and ACT – have made a clear choice to introduce a competitive element into funding and this requires economic as well as service delivery efficiency. Yet a study by Leiter in 2005 of the structural arrangements of NGOs found that there was a very wide range of structures and management approaches, suggesting the adoption of best practice had a long way to go.

4.3 A similar finding was reported in the Small Non Government Organisations Working Together project (SNOW) in Western Sydney. One recommendation of this report was that government provides funding for the development of service bureaus for NGOs.

4.4 In the US, there has been considerable development of Management Service Organisations (MSOs) in the NGO Sector. There are over 700 of these MSOs with separate Boards and with Government and philanthropic funding support. In the US there are also many hundreds of partnership relationships between small NGOs and the larger ones who provide much of the infrastructure support.

4.5 A study by Mitchell and Drake in the UK found considerable benefits where large community services assisted smaller ones through the provision of support services.

4.6 In Queensland, the Strengthening NGOs project (SNGO) provides some funding for Not for Profits to collaborate in the provision of infrastructure. The project has established three pilot co-location centres for NGOs to come together to better enable cooperation and shared costs. Also in Queensland, a regional outreach program has linked four women's service agencies to provide one point of referral and increasingly shared costs for other infrastructure. In Victoria, Ross House in Melbourne is not only a co-location site (as is common in the ACT) but provides shared services.

Outsourcing

4.7 It is suggested that all NDS ACT members should consider the benefits of collectively or cooperatively "buying" or sharing essential infrastructure services from a newly established or existing special service – a bureau model.

4.8 The bureau model can provide a highly effective approach to minimising infrastructure costs and developing information, skills and resources to meet costs through developing a cooperative approach to the provision of many of the activities that are needed to support its service.

4.9 Outsourcing of non-core services, in whatever form it takes, offers the opportunity for the small and medium sized service to focus on its core activity – client service delivery, and removes concerns and stress relating to financial administration, HR, QA and so on.

4.10 Outsourcing of the non-core activities can mean access to more expertise, information and even software than would otherwise be the case.

4.11 Outsourcing can remove the dependence on one or two individuals who normally do this function at a time when recruiting people with these specialist skills is very difficult.

4.12 The outsourced services that a community services bureau can offer include:

- 4.12.1 Bulk buying of cars, computer equipment and other essential hardware.
- 4.12.2 Lower cost insurance, workers compensation and similar financial services.
- 4.12.3 Governance training.
- 4.12.4 Board recruitment.
- 4.12.5 Sector staff recruitment.
- 4.12.6 Sector staff training.
- 4.12.7 Sector staff career support.
- 4.12.8 The development of Enterprise Agreements or other employment conditions with an ACT approach.
- 4.12.9 The provision of accounting and financial management services, including Book-keeping.
- 4.12.10 IT software development and maintenance.
- 4.12.11 Quality assurance support.
- 4.12.12 Centralised document and records management and storage.
- 4.12.13 Benchmarking.
- 4.12.14 Management consultancy.
- 4.12.15 HR and employee relations support and services.
- 4.12.16 The facilitation of alliances, mergers and other strategic actions.

4.12.17 Marketing support.

4.12.18 Client and community profiling and development.

4.12.19 Call centre – after hours contact.

4.12.20 Fund raising.

4.13 A recently published report by NCOSS in NSW (*Sharing Financial Administration*, NCOSS, NSW 2007) is of some relevance to the ACT. Essentially the report put the view there were four options for small non-government organisations to manage back-office functions.

- Outsourcing to a specialist provider.
- Partnering with a larger community organisation.
- Co-location with other small non-government organisations.
- Joining back office and governance functions with other small non-government organisations. (page 1)

4.14 A number of options for NDS ACT to assist members were considered.

Option A

4.14.1 NDS ACT develop the capacity to offer the services outlined above. This would require a major feasibility study and also a possible conflict of interest **and is not recommended.**

Option B

4.14.2 NDS ACT employ an organiser or broker to link members and service providers through negotiating bulk buying, preferred supplier deals. Again this is not recommended as it could create a conflict of interest, etc., on costs and operational costs (car, etc). **This approach could be expensive and is not NDS core business. It is not recommended.**

Option C

4.14.3 NDS ACT develop a process of assisting members to identify key or preferred service providers to be used by members – these can be existing large community services or new organisations. This would require employing a consultant or part-time staff member to assist in the process and forms the main recommendations of this report. **This approach is recommended.**

4.15 Issues which have to be addressed in any service bureau or organisation would include the following.

- The maintenance of control by the not-for-profit organisation.
- The rapidity of response by the service suppliers.
- The confidentiality of the information.
- The impact on employment and job designs in the not-for-profit organisation.

4.16 Regardless of any other strategic decision to be made by members, the concept of reducing costs and getting the collective benefit of outsourced services should be considered.

Best Practice and Research

4.17 This report, and its predecessor, has found that there is a significant need for not-for-profit managers to have access to information, tools and ideas to achieve best practice.

4.18 It is suggested that NDS ACT should consider providing benchmarking and general management research and information for its members to assist them to establish Best Practice Management.

4.19 It is also suggested that NDS ACT could assist their members by developing a Leadership and Management Development and Mentoring program.

Recommendations

4.20 The following recommendations are made for consideration by NDS ACT.

Recommendation 1

NDS ACT seek DHCS ACT funding to assist in the employment of a Sector Development Officer or Manager. This person employed on an initial one year contract by NDS ACT to assist members by undertaking the following.

- Develop and facilitate an Infrastructure Support Program for members that will identify standards for the provision of IT, financial services, recruitment, training and other infrastructure services and encourage suppliers, such as ACT large not-for-profit and specialist organisations to offer these services.
- Develop, through outsourcing to large not-for-profit organisations or specialist providers a research, information and benchmarking service that provides members with information and guidelines to achieve governance and management best practice and to assist them to achieve quality assurance.
- Develop or outsource in an appropriate way a Management and Leadership Development and Mentoring Program specific to the needs of Disability Services in the ACT – or organisations for

which a disability service is a significant component of their overall programs.

- Develop or outsource in an appropriate way a Coordinator and Team Leader Training and Development Program for the Sector.
- Identify and develop other methods by which NDS ACT can support members to develop their capacity and capability.

Recommendation 2

NDS ACT develop a proposal for their members to consider outsourcing and/or cooperatively buying infrastructure and other direct products and services. The suggested model is for NDS ACT to develop an advisory or support function to assist members to identify and work with the suppliers of such services. This could be part of the function of the proposed Sector Development Manager referred to in Recommendation 1.

Strengthening the Sector

5. STRATEGIC DIRECTIONS

The Value of Cooperation – Alliances to Mergers?

5.1 While cooperative and innovative provision of infrastructure is critical for the sustainability of services it is also considered important for all NDS ACT members to look at their level of direct cooperation with other services.

5.2 The benefits of cooperating with other services as a way of coping with the pressures of increased costs, compliance and competition should be considered by all not-for-profit organisations. Cooperation can take many forms and a merger does not necessarily have to be the first thought of NDS ACT members, or even the final destination. There are a number of alternative steps that could be taken into consideration and they include the following.

- An alliance
- A partnership or consortium
- A merger

An Alliance

5.3 An alliance which may be formalised into a Memorandum of Understanding (MOU) can encompass one or more functions – in addition to shared client programs. It offers the least risk but also limited opportunities.

5.4 Alliances with an MOU can be made around sharing staff, training, developing policies and procedures, raising funds from the private sector, and so on.

5.5 An alliance can bring the opportunity to work closely with another service while maintaining a completely separate identity. It can reduce costs in specific areas and help to improve the quality of the infrastructure support.

5.6 Alliances can be made between organisations of different sizes – especially between a small service and a larger one – without concerns about being taken over and can evidence cooperation and mutual support to funding agencies and the broader community.

A Partnership or Consortium

5.7 A partnership is a more formalised and structured version of an alliance. A partnership may also take the form of a consortium of a number of organisations.

5.8 A partnership can be used to tender but also to recruit and "buy" or provide infrastructure in a more definite and "contracted" way than in an alliance.

A Merger

5.9 This is, of course, a major step for any not-for-profit organisation. In the end, the merger path that a Not For Profit should consider will depend on its particular circumstances. Essentially, however, a number of criteria should ideally be considered. The potential merger will be most effective if:

- There are similar cultures in the organisations – or similar stated values.
- The services offered are the same or, alternatively, are complementary in the sense that the combination would provide a wider range of services and greater reliability.
- Infrastructure costs would fall if a merger went ahead.

- The rights of existing clients and their service levels would not only be maintained but improved.
- Both organisations are at a similar life cycle stage.

5.10 A well-designed strategic approach to a merger should provide the following benefits.

5.10.1 Many infrastructure costs could be spread over a larger number of clients. These costs include buildings, insurance, technology, cars, etc.

5.10.2 It would be less costly and easier to recruit and retain staff at every level.

- More resources for an HR function.
- Greater opportunities for promotion, job changes, flexi-employment, etc.
- Reduced cost of providing training, Quality Assurance, etc.
- Ability to offer staff more flexible employment.
- Increased opportunity to offer permanent employment to casual staff – which increases staff retention and experience levels.
- Increased opportunities to offer more supervision and back up to support workers.
- There would be a greater opportunity to attract staff through more advertising, traineeships and similar approaches.
- Increased community awareness.

5.10.3 Over time there would be staff cost savings as the normal attrition rate means some staff will leave and may not need to be replaced.

5.10.4 Increased ability to attract government contracts through increased management structure, size, etc.

5.10.5 Improved opportunities to attract community support through donations.

5.10.6 Improved opportunities to develop innovative programs.

5.10.7 Increased ability to meet compliance costs.

5.10.8 A larger entity – whether by alliance, partnership or merger – will make it more difficult for other groups, especially private organisations, to fragment the services offered to clients and families by competing with both organisations.

Recommendations

5.11 The following recommendations are made for consideration by NDS ACT.

Recommendation 3

NDS ACT encourage all members to review their current structure and strategic direction and consider possible partnerships, alliances, mergers or other methods of cooperation and integration.

Recommendation 4

NDS ACT provide workshops and other information to facilitate members and interested non-members to discuss and determine the approach they will take in response to the information and recommendations made in this report.

Ray Bennett

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