Non-government organisations in the alcohol and other drugs sector

issues and options for sustainability
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Foreword

Renewing non-profit organisations

The organisations described in this report are non-profit organisations (‘non-profits’). This section reviews developments in Australia’s non-profit sector and internationally to provide a context for thinking about the issues raised in the report.

Non-profit organisations are private organisations that are prohibited from distributing any annual profit to their members or trustees. This is to ensure that members do not benefit financially from the success of the organisation. This prohibition gives these organisations distinctive behavioural characteristics, different from the conventional for-profit firm. In many cases, non-profits add a further constraint, prohibiting the distribution of net assets to members on winding-up. This is an essential prerequisite for claiming tax exemption.

Non-profit organisations are important. Through such organisations, groups of people ensure the provision of services, for themselves or for others. Through non-profits people organise opportunities for sport and recreation, and represent their interests. Organisations formed for religious worship, churches, temples, mosques and so on are also non-profits. Non-profits manifest people’s capacity to work together, to meet shared needs, to preserve or express shared values and to voice shared interests. They provide many essential services; they draw down and reproduce social capital and, in so doing, they provide the infrastructure of a resilient economy and a strong democracy.

There are around 700 000 non-profit organisations in Australia; almost all are small and are sustained by the volunteer efforts of a few members. They are to be found everywhere. Nearly all Australians have some kind of involvement with non-profits. Almost 90% of adult Australians belong to at least one non-profit; a similar proportion supports them with donations (Passey and Lyons, 2005; Lyons and Passey, 2005). Around 35% give time as volunteers (ABS, 2007).

Most attention is given to the approximately 40 000 non-profits that are large enough to employ at least one person. It is they that are economically significant. Arguably, the greatest social impact is provided by the hundreds of thousands of organisations that rely entirely on their members’ enthusiasm.

The Australian Bureau of Statistics (ABS) recently estimated that in 2006–07 these non-profit organisations employed almost 900 000 people and turned over $71.5 billion (ABS, 2008).

Non-profit organisations are major providers of health services and social services. They provide more than half of Australia’s social services. They are major providers of education, especially school education where they educate more than one-third of Australia’s youth. They are important in scientific research, in culture and the arts, and in sport and recreation. They provide all religious services. Business, professional

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1 The term ‘non-government organisations’ is often used to describe non-profit organisations in non-institutional health services, in some social services, in some forms of advocacy and in overseas aid and development. Some government agencies use it to encompass for-profit organisations providing those services as well.

2 This estimate is smaller than the headline estimate in the ABS report, because it has been adjusted to remove the double-counting created by $3bn worth of transfers within the non-profit sector.
and other advocacy and interest groups are almost all non-profits. Non-profit organisations are important niche providers in accommodation and food services, employment services, broadcasting, and financial and insurance services.

Employment in non-profit organisations gives a rough indication of the distribution of non-profits across different fields: social services 27%; education and research 24%; health 17%; culture and recreation 10%; religion 5%; business, professional associations and unions 3%; and others (including environment, law, advocacy and politics, development and housing) 14%. Forty percent of the sector’s revenue comes from sales of goods and services; 35% from government grants and contracts and 10% from donations and fundraising. Membership fees, gambling, sales of assets and a large number of sources provide the remaining 15% of revenue.

In 1996, in terms of its contribution to employment, Australia’s non-profit sector was the sixth largest of the 22 countries included in the Johns Hopkins Comparative Nonprofit Project (Salamon, 1999). Unlike most countries, where non-profits from one field (e.g. health or education) dominate the sector, the non-profit sector in Australia stood out for its strength and contribution in several fields or industries.

However, unlike many comparable countries, in Australia non-profit organisations are generally not acknowledged, either by governments or by the public, as constituting a single, distinct sector in the way that business is acknowledged. Rather they are seen as small groups of peculiar organisations (peculiar because they are clearly not part of government but not part of business either) in different fields of activity. So Australians speak of churches, unions, charities, sporting clubs, registered clubs, advocacy groups, environment groups, NGOs and so on. None of these terms is closely defined and they often overlap in their application.

Non-profit organisations have been an important part of Australia since the population growth that accompanied the gold rushes of the 1850s. They have remained important though the composition of the sector has changed in response to changing social and economic conditions. For example, from the 1870s until the 1940s as many as 40% of Australian families accessed doctors and pharmacies provided by the friendly societies to which they belonged. In the late 1940s a combination of professional hostility and government policy brought about their decline. Gentlemen’s clubs had existed since the mid-nineteenth century but in the 1950s sporting groups and returned services associations organised their own hospitality clubs, which are now an important component of the fabric of every Australian town or area.

With the provision of regular government assistance to non-profit schools (almost all operated by religious groups) in the 1970s, numbers of pupils attending these schools have steadily grown. Many nineteenth-century social service providers have grown greatly with the infusion of funds from government grants and contracts. These funds have been provided to expand the provision of services provided by non-profit organisations to match growing need. Unlike many other countries, Australia has seen very little outsourcing of previously government-provided social services to non-profit organisations. Non-profits have always been the major providers of social services.

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These percentages are based on industry estimates from which double-counting created by transfers has been removed (see fn ii above).
By contrast, numbers of non-profit hospitals have declined, unable to manage the large capital infusions required by modern medicine.

Changing values and huge growths in commuting times and opportunities for entertainment have led to a decline in both membership and numbers of service clubs, sports clubs and trade unions. The mainstream Christian denominations have experienced dramatic declines in active worshippers.

Reflecting general government indifference, little reliable comprehensive data have been collected on Australia’s non-profit sector by the ABS. Three data sets are available, for 1995–96, 1999–2000 and 2006–07. They use different methodologies for collecting data but rough comparisons can be made. They suggest modest growth for the non-profit sector overall. For example, if we express non-profit sector revenue as a percentage of gross domestic product (GDP), we find that it has increased modestly, from 6.3% of GDP in 1995–96 to 7.5% in 2006–07. They show that the numbers of employing non-profits have increased by less than 20% since 1995–96. Employment, however, has grown by 52% and revenue has doubled in real terms. The growth driver appears to be government revenue which increased by 136%, compared with revenue from sales that increased by only half that amount. Volunteering increased in the late 1990s but appears to have levelled off over the past five years.

This picture of modest growth in Australia’s non-profit sector is in contrast with other OECD countries where the picture is one of considerable growth, leading one commentator to refer to an associational revolution (Salamon, 1999). In some of those countries, non-profit organisations have been the beneficiaries of government outsourcing; in some European states new forms of non-profits, loosely called social enterprises, have grown to address problems of social exclusion (Borzaga and Defourny, 2001). In the United States large amounts of private money have been invested in new non-profit initiatives that seek to address the old problems, such as homelessness and poverty, and new problems such as global warming. Some of this has come from foundations established by some of the billionaires created by the communication and information technology revolution, some from the sale of successful non-profit health providers where the courts have insisted that the sale price be placed in foundations, and some from the creation of new vehicles for private investment in non-profit endeavours, especially housing.

The government problem of Australia’s non-profits

In both Europe and the United States these developments have been supported and encouraged (but not initiated) by governments. The United Kingdom has seen perhaps the greatest and most comprehensive set of government policies to encourage the growth of the non-profit sector, and especially of new social enterprise initiatives (Lyons and Passey, 2006). There, in the late 1990s the government signed a compact with the non-profit sector that envisaged a proper partnership and addressed major complaints of the sector about inadequate levels and conditions of funding. Recently, the courts have found this agreement created commitments by the national and local governments that are enforceable by law. But in keeping with the spirit of cooperation and encouragement, the government has removed barriers to non-profit growth and invested in vehicles to help existing organisations renew and build capacity. It has created new non-profit forms (the community interest company) and new forms of financing to encourage social enterprise.
By contrast, the policies of Australian governments for the non-profit sector are largely characterised by incoherence and indifference. The legal and regulatory environment of non-profit organisations illustrates this. In the for-profit or business sector which encompasses a greater number and variety of organisations than the non-profit sector, there is one law and one regulator administering incorporation and fundraising. For non-profit organisations there are many different laws and regulations surrounding incorporation and fundraising. Taxation arrangements are even more confusing. Non-profits seeking tax exemption must satisfy one of 34 different sets of criteria. There are 47 sets of criteria for claiming gift deductibility.

For the most part governments pay attention only to those non-profit organisations that they fund to deliver services. Over the past 20 years different mechanisms for funding have emerged. The oldest is the grant, generally made for capital purposes or a short-term project. More common are what are described as payments for purchases of services. These entail a great deal of specification of services to be provided and are frequently awarded after a competitive tender process. But there are also arrangements that are best described as quasi-vouchers (Lyons, 1995), where the government payment is attached to eligible service users who access approved providers. This sort of payment can be found in the funding of schools, child care centres and aged care facilities. In 2006–07, around $8 billion was paid as grants and $17.4 billion as purchases of services or through quasi-vouchers (ABS, 2008). All three mechanisms are used to fund for-profit providers as well, though these are mainly found in only a few fields, such as child care, aged care and employment services.

Unfortunately, despite the amount of revenue transferred, government funding of non-profits is not informed by a coherent approach. Each government department and often each program have their own rules for these relationships. Many funding programs draw on elements of two or three of the models outlined above. Non-profit organisations complain that the funds they are paid are not adequate for the task required. This is not always the case. Many quasi-voucher-type arrangements allow organisations to set their own price or fee to the consumer and some programs are competitive on price. In a few cases program managers have estimated and pay the cost of service delivery, but in the majority of cases the criticism is correct. In many cases governments just do not pay a full price for services and certainly not an amount that recognises the cost of capital and the need for organisations to generate surpluses. In these cases governments exploit their monopsony or sole purchaser position. Monopsony power is as destructive of the virtues of markets as is monopoly power, but governments seem not to care. Another way of putting it is to say that governments exploit the commitment of non-profit organisations to deliver on their mission even at the cost of reduced effectiveness and endangering organisational survival. As the United Kingdom government realised, and has sought to rectify via the code of good practice for funding and procurement in their compact with non-profit organisations, this approach is terribly short-sighted.

Australian non-profits that receive government funding also complain of burdensome reporting requirements. In most programs, government funding of non-profits has been accompanied by increasing reporting requirements that have never been independently justified, nor subject to the regular
government reviews designed to reduce the regulatory burden on businesses. This movement towards greater control is partly a response to increasing government expenditure on services provided by non-profit organisations, but is also a product of the dramatic change in public sector management generated by governments’ embrace of what Australians call ‘economic rationalism’ and the new public management. Growing numbers of ministerial staff have increased the oversight of departmental officials. This has often created tensions and made the latter increasingly risk-averse.

Funding relations are probably most vexed in the funding of social services and non-institutional health services. This accounted for around $10 billion in 2006–07. It is in these fields that contracts are most controlled and relations between non-profits and governments are the worst. Despite talk of partnerships and the creation of so-called compacts (which are nothing like the United Kingdom compact), government relations with the non-profit sector remain generally bad.

The picture is not all bleak. In Victoria over the past five years governments have moved to three-year funding agreements and provided some money for capacity-building. The Department of Victorian Communities also funded local community enterprises on a pilot basis. The Strengthening Community Organisations Program (SCOP) review in late 2007 made a number of recommendations, mostly accepted by the government, to build on these changes, including the creation of an Office of the Third Sector to coordinate government policy for the whole non-profit sector.

Many non-profits are renewing

The absence in the thinking of governments or the public of a clear perception of a non-profit sector is to a large extent a consequence of the failure of Australia’s non-profits working together to develop a strategy for changing public perceptions. Such collective action has occurred on several occasions over the past 40 years in the United States and the United Kingdom and helped create the non-profit-friendly policy environment described above. In only some fields or industries in Australia are there peak organisations seeking to represent the interests of non-profits in their particular field, and they rarely talk across industry borders.

But while the different parts of the non-profit sector have not worked together, over the past decade or so many individual non-profit organisations have sought to review and renew their mission and programs. In some cases this has been a response to dramatic challenges emerging in their environment. The major popular sporting codes, for example, have had to adapt to the dominating interest of large media companies in their main competitions. A loss of autonomy has been accompanied by vast increases in revenue. Other non-profits with federal structures have sought efficiencies and greater recognition by merging into national organisations, often without, or with only limited, success. Non-profits associated with the main Christian religions have found challenges in the declining numbers of their congregations or, in the case of the Catholic Church, in the decline of the religious orders that once provided staff for their schools and hospitals, and more recently their governance (Cleary, 2007). For the most part they have managed the transition to lay leadership without a loss of mission or purpose. Only
with non-profit hospitals, which also faced major capital shortfalls, have there been sales to for-profit corporations or consolidation into church-operated chains.

Another challenge has been to manage increasingly difficult relationships with governments: increasing regulation and increasingly inadequate funding. Many non-profits have sought to increase their revenue from philanthropic sources — from donations from the public and from business. Overall this effort has been successful. Revenue from donations and fundraising increased by 150% between 1995–96 and 2006–07. This was an even faster increase than revenue from government, but from a far lower starting point (ABS, 2008). Between 1997 and 2004 the percentage of overall donations from the public going to health non-profits increased by almost 150% to $800 million; between 2000 and 2004, business support increased by 260% to $600 million (Department of Family and Community Services, 2005). Others have initiated business ventures to generate profits to invest in their core mission (Dalton and Casey, 2008). Some non-profits sought business support by building longer-term relations as partners (Zappala and Lyons, 2008).

These data suggest that many public-serving non-profits have been reorienting towards the business sector. This reorientation is arguably the most important change for the non-profit sector over the past decade. During the past 40 years the profile and standing of business in Australian society have grown enormously. This has reflected overseas trends and the globalisation of the world economy. Under economic rationalism governments argue that their main role is to create markets and encourage firms to populate them (Lyons, 2007). Business and the business-serving professions like law and finance now attract the brightest students (who once gravitated towards medicine or the public service).

The past decade has also seen the beginning of a slow transformation in business, with recognition that business now has such power (especially global corporations which are effectively free of national government oversight) as it needs to exercise a commensurate responsibility. This point was initially enforced on corporations like Shell and Nike by global non-profits such as Greenpeace and Amnesty International, but it has been embraced by many business leaders. Many corporations now compete in various indexes for recognition as environmentally and socially responsible corporate citizens. Of course this new perspective has, to date, been embraced by only a minority of businesses. The process of transformation will take many years, propelled by the growth of socially and environmentally responsible investment funds.

However, an important part of the process of non-profit renewal is the interest of some businesses in working with non-profit organisations to address social and environmental problems. It has also led to business leaders seeking to join non-profit boards and contribute to solving the very different management and performance problems that they face. Their presence has certainly helped drive some of the transformation of parts of the non-profit sector. In non-profits that have successfully transformed, it has meant following good business practices, with an emphasis on new ways of thinking about mission, of measuring performance, of achieving efficiencies, of managing capital
and a commitment to research and development. It has also led some non-profit leaders to look to entrepreneurial ways to address problems with the goal of inventing organisations that meet social needs but are also self-funding (Frances, 2008). More recently there has been a growing interest in social innovation (Mulgan, 2008).

These various movements towards business partnership, and for social entrepreneurship, social enterprise and social innovation inevitably have had a mix of successes and failures. But there seems little doubt that they are the central part of the non-profit sector’s process of renewal. They mark a decisive turning-away by the public-serving parts of the non-profit sector from government as a model and a source of advice and a reorientation towards business. Rather than resisting this reorientation, governments should encourage it. It will not mean a lessening in government responsibility to address social need, but it will mean a lessening in government attempts to control the processes whereby these efforts are made. It should mean that governments follow the lead of business and overseas governments and seek to invest in the capacity of certain non-profit organisations, thus facilitating and encouraging them to address old and new problems in creative ways.

### Implications for non-profits providing alcohol and other drugs (AOD) services

The suggestions offered below follow from the analysis above. They largely mirror conclusions reached in the report.

Many of the non-profits that are successfully renewing have the support of large sponsoring organisations behind them. Smaller non-profits are afraid to change, believing that they do not have the spare resources to do so (Zappala and Lyons, 2008). In her study of why some small non-profits successfully developed business partnerships or reoriented as social enterprises, Feeney (2007) found that, in those that did, there was a leader who had a strong sense of agency — or a self-belief that they could do it.

The non-profits that are the subject of this report are mostly small or medium-sized. They are highly dependent on government funding and are therefore likely to be among the slowest to seek to renew. Responsibility for commencing the process of renewal should be taken by the chief executive/coordinator and the board chair. Hard questions should be asked about the effectiveness of what the organisation does and its long-term sustainability. A disciplined look into the future is essential. These discussions should involve staff and long-serving volunteers as well as directors. At some point government staff who have some knowledge about the field should be involved. An often unrecognised asset of the organisation is the knowledge that lies in its staff and procedures. Part of the discussions should involve making this knowledge explicit and then questioning it. Out of these discussions might emerge ideas for new ways of working, and new
partnerships with like organisations or with businesses. But at all times, the possibility of closing down should be on the table.

This process will be terribly hard for many organisations. It cannot be demanded by an outside power. It can be inspired by like organisations. It can be facilitated by skilled consultants. But at some point money will be required. Governments have the responsibility to provide this and with few strings attached. Perhaps it would be sensible to select and fund an independent facilitator organisation to provide funding along the lines of Capacitybuilders in the United Kingdom.iv

But governments can act earlier than this to create an environment that encourages organisations to review and renew. This should begin with an acknowledgement of the inadequacy of past funding levels and of the unnecessarily burdensome nature of regulatory requirements. It should be accompanied by a move to pay a full price for services, determined by independent consultants jointly selected by funded organisations and government. In the absence of a ‘real’ market there seems little point continuing with the competitive processes which undercut the cross-organisational communication that is needed to develop better services and for the process of renewal. Once there is clear evidence that government departments are prepared to pay the full price for the service and to manage the program appropriately, then many more non-profits will be emboldened to begin their own change process.

Media attention on alcohol-fuelled violence in the Northern Territory (and elsewhere) and teenage binge drinking suggest that the AOD field will receive greater attention and greater expenditure from governments over the next few years. With this as a context and a spur, the processes of mutual transformation outlined above could be made the subject of an agreement (a compact) between two levels of government and non-profits providing AOD services. The negotiating of this agreement could become the start of the process of mutual renewal.

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iv Capacitybuilders is a non-departmental public body set up in 2006 to take over the management of the ChangeUp program and to work with other funders to build the capacity of the third sector. They exist to create a more effective third sector; this can be achieved by improving support for third-sector organisations.
Foreword references


Research consortium

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Abbreviations

ADCA Alcohol and other Drugs Council of Australia
ANCD Australian National Council on Drugs
AOD alcohol and other drugs
ARNOVA Association for Research on Non-profit Organizations and Voluntary Action
NGO non-government organisation
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Preface

Drug and alcohol treatment is now accepted as a vital part of a comprehensive and balanced approach that aims to reduce the supply, demand and harm associated with the use of drugs. Within Australia treatment is largely provided by organisations or agencies that specialise in addressing drug and alcohol misuse.

Over 50 per cent of drug and alcohol treatment services are estimated to be administered by non-government organisations (NGOs) (Siggins Miller, 2005). While the NGO sector varies markedly in size between jurisdictions, it is clear that NGOs play an important role in providing these services on behalf of and for the whole community.

Drug and alcohol NGOs currently face a number of significant challenges which leave many of them struggling to survive. In order to ensure their future viability and capacity to provide services, new thinking is required. It is in this context that the Australian National Council on Drugs (ANCD) commissioned Dr Catherine Spooner and Ms Ann Dadich from the Social Policy Research Centre at the University of New South Wales to undertake a project that investigated the implications of the current context of sustainability, governance and funding of NGOs in the drug and alcohol sector and that provided options for their future survival and enhancement.

NGOs providing services in this sector recognise that their experience is akin to that of NGOs in other sectors. Some are finding that, given the type and level of funding available to them, they have to make choices between standards they set and whether they provide services at all; others have had to sacrifice frontline staff in order to appoint administrative staff to support increasing administrative and compliance requirements without any additional funding provided for this purpose. It was in this context that the ANCD sought input from Professor Mark Lyons, who has undertaken extensive research in this area, to write the foreword to this report.

The ANCD welcomes this report. It identifies the key issues facing the sector which will resonate with those who provide services within it, including problems with sustaining workforce capacity, dealing with risk management, adherence to compliance requirements, funding and governance issues. In addition, the report suggests ways of addressing these issues, by outlining strategies for strengthening the sector.

This report occurs at a time when the Australian Government, as part of its social inclusion agenda, is exploring the development of a national compact (agreement) with the NGO sector based on partnership and respect. The ANCD welcomes this initiative and encourages NGOs in this sector to voice their concerns and their suggestions as part of this process in order to facilitate a more positive and sustainable framework to guide relationships between government and NGOs in the future.

The ANCD is pleased to make this report available. It thanks those who have participated in providing their experience, the research team who have completed it and Professor Lyons for his contribution in the foreword. The report provides a foundation for the sector to work with government in developing services that are attentive to their main mission — the provision of services to the community, especially those affected by alcohol and drug problems — while also developing a sustainable and better equipped workforce utilising the most appropriate evidence-based responses. Particular thanks must also be paid to members of the ANCD, past and current, who have worked to develop, support and oversee this project.

Dr John Herron
Chair, Australian National Council on Drugs
November 2008
Executive summary

This report presents the results of research commissioned by the Australian National Council on Drugs (ANCD) into the governance, sustainability and funding of non-profit non-government organisations (NGOs) in the alcohol and other drugs sector in Australia.

The research included a review of the research literature as well as key informant consultations, and aimed to identify the issues for NGOs in the sector and options for their future operation. The report is not a blueprint for action. Rather, it is an overview of issues to assist further discussion, research, planning and action in the sector.

Key issues identified by the research include the following:

1. problems with workforce capacity, for example:
   a. a lack of investment in management and organisational capacity
   b. difficulties recruiting and retaining managers and staff
   c. a lack of attention to the management of volunteers, and
   d. a lack of evidence-based practice
2. independence and advocacy: there was some concern expressed about government constraints on the independence of NGOs to advocate for their communities, and about the ability of NGOs to influence government policy, although the evidence was mixed
3. governance issues, including:
   a. internal stresses, e.g. tensions between the board and the chief executive officer, the variable capacities of volunteer board members, and
   b. external stresses, e.g. increased scrutiny and risk in an increasingly litigious society, pressure to perform like a business
4. funding: despite increased funding, NGOs are experiencing financial deficits which impede workforce development and service delivery due to, for example:
   a. the failure of funders to pay the full cost of services/projects, including infrastructure
   b. increasingly complex clients
   c. increased organisational costs, e.g. the Goods and Services Tax, infrastructure, compliance (exacerbated by the different reporting requirements of different funding bodies)
   d. increased competition for funds, and
   e. the tendency for funding to be short-term and project-specific
5. the combination of financial difficulties and a competitive funding model was reportedly exacerbating fragmentation within the sector
6. smaller NGOs in particular appear to be struggling in the current environment
7. NGOs working with remote and Indigenous communities also have particular problems, such as the lack of qualified staff and board members and of other agencies to partner with.
Options for NGOs identified by the research include:

1. workforce development for staff, management and the board at systemic, organisational and individual levels: the need to improve evidence-based practice has increased, as clients’ needs and the issues dealt with by NGOs have become increasingly complex. This requires investment from NGOs, but also support from government and other funding bodies. The business sector, the peak bodies and the larger NGOs can also contribute to workforce development within the sector.

2. strengthening governance:
   a. by considering the governance model used by an organisation
   b. by attention to recruiting, training and supporting board members, and
   c. with support from government and other stakeholders

3. building relationships with government:
   a. NGOs can contribute to policy in a number of ways by exploiting the government policy emphasis on partnerships and recognising and using the opportunities and power they have
   b. formal agreements between government and the NGO sector have the potential to improve relationships between the two. Assessment of agreements to date suggests that there are a number of factors that contribute to the success of the agreement, for example, commitment to the partnership by both sides, a whole-of-government commitment, and mechanisms to reward good practice and deter non-compliance

4. building relationships within the sector: numerous sharing-model options exist, such as the sharing of back-office resources, amalgamation, and lead-agency arrangements. Sharing models have advantages such as creating economies of scale and allowing resources to be shared. There was some concern expressed about sharing models, however, in particular:
   a. loss of autonomy and of connection with the community, in the case of smaller NGOs, and
   b. loss of a competitive edge (all NGOs)

5. strengthening funding — suggestions for the sector:
   a. the creation of social enterprises (although caution was recommended due to the high percentage of social ventures that have lost money)
   b. strategic marketing, and
   c. campaigns to remove the stigma associated with alcohol and other drug problems

6. strengthening funding — suggestions for government:
   a. changing the funding models for NGOs, from competitive to planning or submission models
   b. researching the actual full cost of service delivery and committing to paying the full cost, and
   c. changing the regulatory environment in order to reduce compliance costs.
In conclusion, it was noted that:

- future options involved a number of key themes, including innovation, relationships, workforce development, and sticking to the organisational mission.

- there was very little research on the alcohol and other drugs sector. While research from the NGO broader sector is useful, its applicability to the alcohol and other drugs sector remains to be tested.
1. Introduction

1.1 Background

Many have argued that the not-for-profit non-government organisation (NGO) sector is unique and valuable. For instance, Barraket (2006) has argued that, because the NGO sector is diverse and has on-the-ground networks, it is better placed than either government or private organisations to be responsive to complex social and economic needs. Maddison and colleagues have argued that NGOs serve an important role in building community capacity, because they act as intermediaries facilitating the flow of information and resources between governments and citizens, and provide opportunities for civic participation in the form of voluntary work (Maddison, Denniss & Hamilton, 2004). Osborne and Gaebler (1992) identified the strengths of the third sector as the ability to reach diverse populations, to treat problems in a holistic way, to generate trust, and to work with compassion and commitment. In discussing the economic, social and political contributions of the third sector, Lyons (2001) noted:

Third sector organisations are said to be the major vehicles for giving identity and voice to the marginalised and for bringing about social change. (p.204)

Within the current Australian climate, which favours free-market capitalism (James, 2003), NGOs face a number of challenges (Barraket, 2006; Dollery & Wallis, 2003; Goddard, 2006; Lyons, 2001). The challenges faced by NGOs in the alcohol and other drugs (AOD) sector identified by the Australian National Council on Drugs (ANCD) include:

- increased competition between NGOs for limited funding
- increased emphasis on business models that are sometimes in conflict with organisational values
- increased expectations around accountability, evaluation and organisational performance
- increased competition for skilled managers and other staff able to operate within the NGO sector
- evolution of large-scale consortia-based funding built on collaborative partnerships, and
- increased transference of risk management to NGOs from government.

In short, in order to remain viable all AOD services, regardless of size, need to operate in a competitive service-delivery model while maintaining the values that inform their practice.

Concerned about these issues, the ANCD commissioned an investigation of the implications of the current context of sustainability, governance and funding of NGOs in the AOD sector and future options for AOD NGOs to operate effectively under a range of service-delivery models in Australia.

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1 The term 'third sector' is also relevant to the NGO sector as discussed here, although it is a broader term than 'NGO'. For a discussion of these terms, see ‘Defining the third sector’ in M. Lyons, *Third Sector: the contribution of nonprofit and cooperative enterprises in Australia*. Crows Nest, NSW: Allen & Unwin, 2001, pp.5–11.
The issues raised by the ANCD are not unique to the AOD sector. For example, Barraket (2006) outlined the following concerns for the NGO sector overall in Australia:

The community sector in particular has historically played an important role in responding to the needs of the most disadvantaged in our communities. Recent reforms to welfare provision have led to renewed debates about the community sector’s role as a service provider, as an intermediary between government and communities, and as a voice of civil society. Recent shifts in public policy are changing the community sector’s operating environment. These policy shifts include: new standards of performance measurement; the movement from core funding of organisations to purchasing their services contractually; an emphasis on partnerships between sectors (government, business, not for profit); and the growth of social policy responses that are focused on improving local communities of place. These changes are driving the development of new agendas within the sector — in terms of competition, accountability, performance and service delivery — while also creating new opportunities to innovate and diversify. (p. 1)

These shared issues suggest that lessons can be learned from the broader literature on NGOs, outside the AOD field.

Nor are the issues raised by the ANCD unique to Australia. There is a wealth of literature relevant to the sustainability, governance and funding of NGOs from the United States of America and the United Kingdom. However, there is a relative dearth of literature that is specific to the AOD sector in the Australian context. Despite the enormous social and economic costs of AOD-related problems (Collins & Lapsley, 1996; Collins, Lapsley & Marks, 2007) and the funding provided to NGOs to manage these, there remains very little knowledge about the sector itself.

Given the lack of systematic research into this area, there is little understanding of the ways in which the current sociopolitical climate influences organisational management, sustainability and, ultimately, service provision. To date, no such study has been conducted in Australia. In fact, there has been very little discussion of what NGOs in the AOD sector might do to strengthen themselves.

The present report is an important step in understanding the existing situation and the range of options for Australian NGOs within the AOD sector. A review of the literature was conducted, and a number of key informant consultations were carried out, in order to assist the AOD sector to develop a strategy to move forward in the current environment.

This report has been prepared for a number of audiences, including government advisers, policymakers, funding bodies and service managers. There is no assumption of prior knowledge among readers. The aim is to review the literature in as brief and concise a manner as possible, while providing sufficient references for readers to pursue specific topics in more detail. The report is not a manual for action. Rather, it provides an overview of issues to assist discussion within and between organisations on how they might strategically plan to enhance long-term sustainability.
1.2 Key terms

In this section, the following key terms are defined: non-government organisation; non-government organisations in the alcohol and other drugs sector; sustainability; governance; and funding.

Non-government organisations

The term ‘non-government organisation’ has been used differently in different contexts. For example, government bureaucrats might use the term to encompass any organisation other than government: for-profit and non-profit organisations. In this report, the term NGO refers to organisations that are private, self-governing, non-profit, non-government and exist to achieve public benefit. NGOs are often run, staffed or supported by volunteers; however, the level of volunteer involvement differs between NGOs and is not a defining feature. (For further discussion of definitions of NGOs and related terms such as ‘third sector’, ‘voluntary sector’ and ‘community sector’, see Lyons (2001), Salamon (1999) and Anheier (2005).)

Non-government organisations in the alcohol and other drugs sector

Defining the parameters of the AOD NGO sector is a more difficult task. The sector might be said to comprise NGOs that address AOD issues, but this can encompass such a broad range of services (e.g. youth development organisations and accommodation services), for whom AOD is an issue but not their primary reason for existence. To avoid diluting the focus of this report, the term AOD NGOs refers here to agencies whose core business is AOD treatment, prevention, harm reduction or advocacy. While there are no ready data on the number of organisations that fit this criterion, it is anticipated that most of them would be AOD NGOs primarily concerned with treatment, and that most of those concerned with treatment would also have some activities related to prevention, harm reduction and/or advocacy.

In the absence of a comprehensive national database on AOD NGOs, it is impossible to specify the number, size and nature of NGOs in the AOD sector in Australia. The ANCD has described the sector as predominantly composed of small organisations (with annual budgets of less than $3 million), with a dozen or so medium-size NGOs (with budgets of $3 million – $10 million per annum).²

A mapping of AOD treatment services in Australia conducted by Siggins Miller (2005) in 2002–03 provides some information. Siggins Miller identified 1118 AOD treatment agencies, 38 per cent (n = 428) of which were NGOs. A further 17 per cent of organisations (n = 186) catered to Aboriginal and Torres Strait Islander peoples, the majority of which were NGOs. Other AOD services were run by government organisations (40 per cent) or private for-profit organisations (5 per cent). The number of NGOs (including those catering to Aboriginal and Torres Strait Islander peoples) per State/Territory ranged from 12 in Tasmania to 146 in New South Wales. The number of NGOs specifically catering to Aboriginal and Torres Strait Islander peoples per State/Territory ranged from zero in Tasmania to 52 in Western Australia. The number of private for-profit treatment facilities ranged from zero in the Australian Capital Territory to 16 in Queensland.

² From the Request for Tender for this project.
The ratio of NGOs to government treatment centres differed substantially between jurisdictions. In Tasmania, South Australia and New South Wales treatment services were more likely to be delivered by government organisations than by NGOs. In the Northern Territory, Western Australia and Australian Capital Territory treatment services were more likely to be delivered by an NGO than by a government department. Thus, the size and nature of the AOD sector vary between the States/Territories.

**Sustainability**

A review of the management literature suggests there is no universal understanding of the term ‘sustainability’. For the purposes of this report, Giusti’s definition is adopted:

The capacity of an organization to operate in the long term pursuing its own declared aims/objectives and maintaining its own culture while servicing its own endowment. (Giusti, 2004, p.2)

Thus, sustainability is not just a matter of surviving financially, it is also concerned with maintaining organisational culture and pursuing the organisational mission. However, it is not confined to retaining current structures and practices. In fact, changes are likely to be necessary for sustainability. (For further discussion, see Durand (2006), Kanter and Summers (1987), Gottlieb (2005), Clegg, Kornberger & Pitsis (2004) and Courtney (2002).)

**Governance**

Governance in this report refers to organisational governance. Lyons (2001) has described organisational governance as the system for controlling an organisation, and distinguishes governance from management:

The governance of an organisation refers to the arrangements for its ultimate control, involving who sets its direction, and who monitors and finally takes responsibility for the organisation’s performance. Governance is distinguishable from management, which is concerned with the day-to-day exercise of authority and guidance of the organisation, as well as the generation of strategy, but within guidelines set by the governors. (p.17)

Governors are generally referred to as the management committee or board. Further information on governance is provided elsewhere (Anheier, 2005; Cornforth & Edwards, 1998; Courtney, 2002; Fishel, 2003; Gill, 2001a; Graham, Amos & Plumptre, 2003; Hudson, 1999; Institute on Governance, nd; Lyons, 2001; United Nations Economic and Social Commission for Asia and the Pacific, 2007).

**Funding**

Regardless of the sector in which they are situated, NGOs typically have multiple sources of operating revenue (Lyons, 2001). These include service fees, membership fees, fundraising efforts, grants and tenders from government and philanthropic organisations, interest and rents from investments, other business activities, donations, and loans. Resources can be conditional (when tied to contractual obligations) or without conditions (as in most donations).
1.3 Research methods

This project was guided by an Advisory Committee which included a research consortium (collectively referred to as the Advisory Committee). Advisory Committee members are listed in the Acknowledgements section of this report.

As already mentioned, information was collected via a review of the relevant literature and key informant consultations. The literature reviewed included international sources and material relating to NGOs in general, as well as literature that was specific to Australia and/or to the AOD sector.

Individuals consulted included managers from AOD NGOs, funders of AOD NGOs, peak-body representatives, and academics. A range of methods of consultation was used, the main method being group discussions with informants from three jurisdictions: New South Wales, Victoria and the Northern Territory. Information from these discussions was supplemented by consultations with other key informants via telephone, email and face-to-face meetings.

In addition, a small number of organisations were identified by the Advisory Committee as examples of innovative AOD NGOs. These organisations were asked to provide case-study material, which contributed to our understanding of the issues being faced and how they might be addressed.

The results of the literature review and the consultations are presented separately under specific themes. Case studies are presented in Appendix 5.6. Recommendations are based on information from all the sources. Details of the research method are provided in Appendix 5.1.
2. Situational analysis: issues for NGOs

Four interrelated themes were found to be relevant to the sustainability of Australian NGOs in the AOD sector. As well as the issues of governance and funding (as specified in the original commission from the ANCD), the research also uncovered the importance of issues around workforce capacity and NGO independence.

2.1 Workforce capacity

2.1.1 Findings from the literature

The literature points out that the capacity of NGOs to operate in the long term is often hindered by limitations in the capabilities of their boards, management and staff. Lyons (2001) noted that NGOs generally devote little time, effort and resources to management capacity. While effective businesses appreciate the significance of investing in their own management capacity, Letts and colleagues reported that NGOs seldom do (Letts, Ryan & Grossman, 1999).

Barraket (2006) reviewed the literature and identified a number of difficulties in recruiting and retaining leaders in the Australian NGO sector. These included:

- the growing complexity of organisational management in the face of changing demands for service delivery, accountability, and legal liability and changing demographic patterns, including increased work hours, changing family structures and increased urban sprawl and time spent commuting ... also ... there has been considerable growth in the number of incorporated associations in recent years, which may be contributing to limited leadership resources, with the available pool spread more thinly across the not for profit sector. (p.15)
- There are also issues around the recruitment and continuance of qualified and experienced staff members. High employee turnover has long been identified as a significant issue within the NGO workforce. A recent examination of the Australian community sector overall found an average annual turnover of 16 per cent. This rate compares unfavourably with an average of 10–12 per cent within Australian industry more generally (Australian Council of Social Service, 2006). While there are limited data specifically on the AOD sector, it too has difficulty in retaining staff (Pierce & Long, 2002; Pitts, 2001). Recent examinations of the North American drug treatment sector suggested 50–60 per cent staff turnover rates within programs at all levels of the workforce (Kimberly & McLellan, 2006).

Staff turnover has been attributed to a number of factors, including short-term project-specific funding, low remuneration, difficult employment conditions, reliance on unpaid work by staff, and the use of the sector as a springboard into attractive government positions (Australian Council of Social Service, 2006; Skinner, Freeman, Shoobridge & Roche, 2003). Factors identified by Barraket (2006) are: ‘lower awards than public agencies in the same industries; limited capacity to ensure income security and career progression where financial resources are derived predominantly from government funding; and a history of relatively poor industrial practices’ (p.15). While Roman and colleagues (Roman, Ducharme & Knudsen, 2006) acknowledged that there might be potential benefits in staff turnover (for instance, it might foster advancement within the sector), the shortcomings also hinder the sector. These include the loss of expertise and the costs associated with recruiting and training staff.
A related matter is the use of volunteers. Apart from some research on the efficacy of ‘paraprofessionals’ or ‘ex-addicts’ in support or treatment programs (Borkman, Kaskutas, Room, Bryan & Barrows, 1998) and of peers in education programs (McDonald, Roche, Durbridge & Skinner, 2003), this is an issue that has received very little attention in the AOD NGO research literature. There are a number of ways that volunteers can contribute to an NGO, including operational support, provision of advice, fundraising, and board membership. One issue is the availability of volunteers. The percentage of the population who volunteer decreased between 1980 and 1995 (Lyons & Fabiansson, 1998) and, although it increased between 1995 (24 per cent) and 2006 (35 per cent) (Australian Bureau of Statistics, 2006), the time each person contributed dropped from 74 hours in 1995 to 56 hours in 2006 (Australian Bureau of Statistics, 2006). Changes in the numbers and the quality of the volunteers in the AOD sector are not known. Another issue is the recruitment, management and support of volunteers. As noted by Lyons (2001), the management of volunteers is often given little attention in NGOs.

As in other service sectors such as health and mental health (Kilbourne, Schulberg, Post, Rollman, Belnap & Pincus, 2004; Kravitz, Duan & Braslow, 2004), an additional issue for the AOD sector pertains to the limited use of evidence-based practice. North American studies on the delivery of treatment for drug dependence found that staff in the sector did not capitalise on available research findings to inform their professional practice (Institute of Medicine, 2005; Kimberly & McLellan, 2006; Lamb, Greenlick & McCarty, 1998). Reimer, Sawka and James (2005) described the multiple barriers to evidence-based practice in the addictions field. These included barriers at the level of the individual (e.g. beliefs, professional development, skills, and interests), at the organisational level (e.g. job burn-out, poor leadership, a change-averse culture and lack of organisational support for evidence-based practice), and at the community level (e.g. differing perspectives on intervention, lack of community readiness, and competing political interests).

2.1.2 Findings from the key informant consultations

Consultation with the key informants from all three jurisdictions suggested that workforce capacity is a significant problem for Australian NGOs in the AOD sector. The issues raised by both NGO and funding-body informants were consistent with the literature reviewed. These include limited access to professional development and training opportunities, as well as the lack of evidence-based practice. Informants stressed that the lack of evidence-based practice was due to a lack of capacity.

Staff turnover was also a concern. This was attributed to the stigma associated with AOD issues and the attraction of better paid and better resourced positions in the government sector. It was predicted that the new Medicare benefits associated with allied health professionals will leach the AOD workforce of qualified staff.

Staff turnover was reported to be a particular concern for NGOs that are small and/or located in regional and remote areas — for example, those in the Northern Territory. According to informants from the NGO sector, these organisations are relatively more vulnerable to workforce turnover because of the transient nature of the population as well as the difficult conditions in remote areas. There is thus a limited pool of qualified candidates. Further to this, service providers in...
Non-government organisations in the alcohol and other drugs sector

the Northern Territory were reported to be relatively isolated from training and professional supervision.

NGO informants noted a number of disparities in relation to workforce development. Access to professional development programs was reportedly greater for government employees than for NGO staff, for larger NGOs than for smaller NGOs, and for urban NGOs than for rural NGOs.

2.2 Independence and advocacy

2.2.1 Findings from the literature

NGOs are regarded as an important source of social capital, facilitating community participation, acting as intermediaries between the community and government, and advocating for disadvantaged groups who have difficulty advocating on their own behalf (Lyons, 2001; Putnam, 2000; Rawsthorne, 2005). It has been argued that public debate is essential to the development of good public policy (Maddison & Denniss, 2005). An issue that has received considerable attention in the literature relates to the ability of NGOs to advocate for the community group they service and to contribute to government policy. Casey and Dalton (2006) have outlined a number of factors that constrain NGOs in advocacy. These include:

- dynamics that have affected the ability of NGOs to engage in advocacy:
  - lack of untied funds,
  - funding shift to a business model so that funds that might previously have gone to advocacy now go to business management

- dynamics that have affected NGOs’ willingness to advocate:
  - competition, fragmentation and lack of cooperation due to competitive tendering
  - government control of advocacy through contracts
  - lack of a sense of efficacy in the new policy-making environment, and
  - a new culture of government–community sector relations which appears to give licence to ‘silencing of dissent’.

Maddison and Dennis (2005) describe how the advocacy efforts of NGOs were constrained by the previous federal government. A web-based survey of 750 organisations involved in advocacy was reported by Maddison and Hamilton (2007). The response rate was 39 per cent (n = 290) and the representativeness of the sample is not known. A substantial proportion of respondents reported government constraints on their independence: 70 per cent reported that government funding at times restricted their ability to comment on government policy; 58 per cent thought that debate was silenced by the federal government; 74 per cent believed that NGOs were being pressured to make their public statements conform with government policy; and 90 per cent believed that dissenting organisations risked having their funding cut. The authors noted that the more reliant a NGO was on government funding, the more constrained they felt in criticising government.

A survey by Rawsthorne (2005) of the Australian Government Department of Family and Community Services grant recipients provides a different view of NGO perceptions of the impact of government, at least via the process of contracting. From a study sample of 1800 NGOs, 561 responded giving
a response rate of 30 per cent. Most of the respondents (71 per cent) believed their advocacy activities had not been affected by contracting and nearly two-thirds of the organisations agreed that they ‘are able to provide input into identifying community needs and policies’. Rawsthorne reported that smaller organisations were significantly more likely to report that they felt able to participate in needs identification (71 per cent agreed), compared to other organisations (55 per cent of medium-sized organisations and 66 per cent of large organisations). Rawsthorne also investigated whether government contracts impeded the ability of NGOs to pursue their own mission. Most (77 per cent) of the organisations did not agree with a statement that they had been diverted from their organisation’s vision and purpose.

Barraket (2006) has suggested that the emphasis on government–NGO partnerships is an opportunity for NGOs to contribute more to policy formulation and review. McDonald and Marston (2002) noted, however, that the partnerships that have been developed so far have tended to be with particular segments of the sector — in particular, with larger NGOs. This raises the question of the representativeness of the partner organisations with whom government works (McDonald & Marston, 2002).

In sum, there is mixed evidence about the impact of government on NGO independence. While there appear to have been some problems in this area, the extent of the problem is not clear.

2.2.2 Findings from the key informant consultations

The key informants from all three jurisdictions advised that limited independence is an issue for Australian NGOs in the AOD sector. While this was recognised by both NGO and funding-body informants, it was especially voiced by the former and verified through anecdotes about reduced government funding consequent to advocacy efforts.

According to NGO informants, the reduced independence of the sector is the result of a few key factors. These include: the stigma associated with AOD issues, which in turn reduces political power; the rise of the contract culture; the increasing conditions often attached to funding contracts — particularly those with government bodies; and the diminished strength of peak bodies.

NGO informants from New South Wales and Victoria reported that peak bodies are also muted by contractual commitments. (There is no AOD peak body in the Northern Territory.) Further to this, peak body membership was reported to be in decline. While some small agencies questioned the benefits associated with peak body membership, some large agencies did not recognise the need for membership as they already attracted the favourable political attention they required.
2.3 Governance

2.3.1 Findings from the literature

As discussed by Lyons (2001), the board is responsible for setting the overall direction of an organisation, for ensuring its effective performance, and for ensuring the organisation meets its legal obligations. While these are substantial responsibilities, board members of NGOs are typically not paid and usually meet infrequently. NGO boards tend to be reliant upon senior paid staff to implement board decisions and meet organisational legal requirements.

Glaeser (2006) stated that the governance problems of NGOs resemble those found within for-profit firms, but are often far more extreme. Fishel (2003) distinguished internal issues from external ones. Internally, he recognised there are interconnected tensions ‘between “amateur” board members and professional staff; between the voluntary association and the trend to professional management; between representation of member interests and the need for strategic management; between democratic values and efficient decision-making; [and] between the search for competence and the need to facilitate individual and community engagement’ (p.219). The external stresses said to strain the governance of NGOs include ‘heightened expectations by stakeholders, funders and general public; heightened environmental complexity; increased risk levels, and an increasingly litigious society; [and] double income families being time-poor, threatening the supply of volunteers (including board and management committee members)’ (p.220).

Internally, perhaps the most significant issues for governance in NGOs relate to the qualifications of volunteer board members and relationships between the board and the chief executive. Little research has been conducted into the composition of NGO boards in Australia. Lyons (2001) has noted the variability in board compositions (including community members and business people) and questioned the ability of board members to fulfil their responsibilities in a non-profit organisation:

Of course, having a board composed of highfliers from the business world is no guarantee that it will be well governed. Although nonprofits are like for-profits in some important respects, they are unlike them in others. (pp.125–126)

Consistent with this view, a Victorian review identified time constraints and frequent turnover of directors as factors contributing to directors’ limited knowledge of their legal obligations (Consumer Affairs Victoria, 2005). Lyons (2001) noted that, in contrast, the chief executive was often the one who knew the field, who was professionally trained, who was the public face of the organisation, and who must display leadership in the organisation. Consequently, there was frequently a tension between the board and its chief executive, both of whom felt leadership responsibilities. This was particularly the case in organisations using the corporate management or volunteer control models of governance.

Externally, NGOs have experienced increased expectations with regard to accountability, evaluation and organisational performance (Fosler, 2002). Concern has been expressed that, as a result of increasing government influence and expectations, NGOs are becoming too bureaucratic, over-professionalised
and politicised. These organisations risk losing their autonomy and flexibility around a number of organisational goals and succumbing to ‘vendorism’, where the organisational mission is distorted in the pursuit of government support (Anheier, 2005). These trends are evident both in the United States of America (Yankey & Willen, 2005) and in Australia (Fitzgerald, 2004).

With increased scrutiny comes increased pressure to perform, increased emphasis on the effective management of services, and less emphasis on values and responsiveness (Fishel, 2003). Not only does this affect the provision of services, but it also influences the board because there is a growing pressure to professionalise the board and management within NGOs.

Collectively, these internal and external stresses can hamper NGOs in achieving their missions as they develop multiple and/or ambiguous aims (Kanter & Summers, 1987).

2.3.2 Findings from the key informant consultations

Key informants from all three jurisdictions suggested that governance is problematic for Australian NGOs in the AOD sector. In fact, most of the content of the consultations clustered around this theme. Consistent with the reviewed literature, the informants alluded to both internal and external governance issues.

They spoke of the difficulties experienced by and with boards. As community volunteers, board members were not always well versed in good governance practices; nor had they always been clear about their role within the organisation. The capacity of organisations to support board members and dedicate resources to the governance systems has often been limited. Given the increasing responsibilities of board members around liability, contract compliance and risk management, this was a key concern. Additionally, as volunteers, board members cannot be expected to complete governance training or continue affiliation with the NGO indefinitely.

Concern was expressed about government agendas influencing organisational governance. Organisations were reportedly being driven by the priorities of funding bodies rather than by their own mission statements. This has been especially difficult because different funding bodies, e.g. the federal government and the State/Territory governments, have different agendas. Priorities can also differ between programs within a single government department. Further, informants questioned the value of government agendas, which were reportedly driven by short-term election cycles rather than by any long-term vision. Some NGO informants also attributed government agendas to the interests they had in the alcohol, tobacco and pharmaceutical industries and the taxes collected through these.

Informants from both the NGO sector and funding bodies observed a gradual change in contractual agreements between NGOs and government bodies. They reported that there were now greater expectations on NGOs for accountability and evaluation of their performance and management systems. While many NGO informants agreed about the importance of accountability, especially in the use of public funds, they said that they did not have the resources or the infrastructure to accommodate these expectations (which were also sometimes conflicting).
Moreover, government bodies did not always lead by example and demonstrate accountability towards NGOs. Informants recalled instances when government departments had failed to meet their obligations; when they had delayed process for bureaucratic reasons; and when funding had been provided without following proper procedures. These individuals said that poor governance within funding bodies impacted heavily on the governance of NGOs. Without a working relationship founded on trust and reciprocity, there was little incentive for NGOs to seek additional support from government departments. From the other side, government informants advised that NGO personnel sometimes ‘play off’ funding bodies against each other.

To overcome some of the challenges they were experiencing, a number of NGO informants stated that their agencies had become increasingly focused on effective management, to the neglect of the values the organisation existed to serve. This included the completion of costly, and time-intensive, accreditation programs, as well as attempts to enhance professional expertise within the board. Some government informants noted the availability of governance training for NGOs. However, according to some NGO informants, training was often futile, given the high turnover among board members.

The establishment of boards in the Northern Territory appears to have been even more problematic than in the other two jurisdictions. Both NGO and funding-body informants from this jurisdiction advised that small isolated communities do not offer a large pool of board member candidates of any calibre, let alone candidates with expertise in governance.

Organisations that work with Indigenous communities reported additional challenges. For instance, according to NGO informants in the Northern Territory, it could be difficult to maintain robust working alliances if the Indigenous community leader was required to attend to cultural matters or a community member passed away. This diminishes the capacity of governance structures. Further, working with board members can be difficult when literacy and/or numeracy skills are limited, which is reportedly the case in Indigenous communities, as this prolongs meetings and increases associated costs.

Furthermore it was reported that, in the Northern Territory, appointment to a board can place community members in a precarious position. The priorities of the organisation they govern (or the funding bodies they work with) might not readily reflect those of the local community. This conflict alters the role of the board from being a link with the community to being a governor. The extended family networks of Indigenous communities can make board membership particularly difficult because familial ties can supersede the needs of the organisation.
2.4 Funding

2.4.1 Findings from the literature

From the literature it is evident that, despite increases in funding to NGOs in general and the AOD sector in particular, NGOs are experiencing significant funding difficulties.

There have been large increases in funding from the Australian Government for the AOD sector since the launch of the National Campaign Against Drug Abuse in 1986, later called the National Drug Strategy. For example, the 2007–08 Federal Budget included $111.6 million in new funding for addressing illicit drug abuse. This included funds to strengthen the NGO Treatment Grants Program, for NGO treatment services to better equip their services (infrastructure, staffing and resources) to provide treatment for methamphetamine users, and to assist local communities develop local solutions for substance-use problems among Indigenous populations. Other Australian Government funding announcements have included $49.3 million for drug and alcohol services in regional and remote Indigenous communities across four States (Brough & Pyne, 2007), $29.9 million for the Improved Services for People with Drug and Alcohol Problems and Mental Illness initiative (Pyne, 2007), and $33.5 million for community programs relating to binge drinking by young people (Rudd, 2008).

Despite these funding increases, a small survey of the AOD sector (with responses from 29 AOD NGOs) suggested that there is an ‘insufficient level of resourcing to meet the increasing demand for workforce change in the alcohol and other drugs field’ (Pitts, 2001, p.31). Pitts reported:

According to respondents, funding has not kept pace with the demand for services which have risen by 52% over the past three years, while funding has only increased by 16%. Further pressures have been experienced by increased costs of 6% as a result of the Goods and Services Tax, and a further 4% as a result of changes to the Fringe Benefits Tax. (p.34)

A survey of 857 community service NGOs was conducted by the Australian Council of Social Service (ACOSS) in 2007 (Australian Council of Social Service, 2007). Agencies were asked what were the three most important issues facing their organisation. Of the 795 respondents who answered this question, 92 per cent mentioned inadequate funding or insufficient resources as a major issue for their service. While funding for the agencies had generally increased, it was still insufficient to meet demand and most agencies reported that they had to limit their services and turn people away. The majority reported that the funding requirements mandated by government contracts were a significant burden that drew resources away from service delivery.
A report on the NGO sector in the Northern Territory suggested that NGOs in that Territory had large financial deficits for a number of reasons (Taylor, 2003, p.22). These included:

- award and national wage increases
- superannuation
- major increases in work-cover premiums and other insurances
- increases in travel and vehicle running costs such as fuel, motor vehicle replacement and the motor vehicle budget levy
- increases in water charges, rent, food and other consumables, and
- increased costs arising from meeting Fringe Benefits Tax and Goods and Services Tax requirements and other Northern Territory Government funding requirements.

Increases in NGO funding have failed to adequately compensate for these costs. To accommodate their deficits, NGOs have reportedly had to make direct cuts to services and activities. These reductions include: staff hours; the availability of regional offices and specific services; community programs and prevention activities; promotion and advertising; office and service opening hours; travel to remote and regional sites; professional development; the availability of relief staff; and the maintenance and replacement of vehicles and equipment (Taylor, 2003). Collectively, these reductions have had a serious impact on client access and on the level and quality of services.

One particular drain on organisational resources has been the cost entailed in compliance and accounting requirements. This has been exacerbated by the methods of funding. NGOs typically receive funding from multiple government departments (or from programs within departments), and from multiple jurisdictions, each with different requirements for reporting on the use of the funds (Barraket, 2006; Spindler, 2005). The lack of consistency in reporting requirements has a number of repercussions. Not only are the resources required for reporting to funding bodies greater than would be the case if a uniform and simple form of reporting was available, but information cannot be aggregated by government departments and is therefore of dubious quality (Flack & Ryan, 2005).

Problems related to funding are not simply about the amount of funds and the costs. They extend to the impact of the contract culture on the ways in which NGOs operate. A number of research reports have attributed a range of negative consequences for the NGO sector from the current contracting funding model, including the diminishing capacity of NGOs to contribute to social capital (Lyons, 2001) or public policy (Maddison & Denniss, 2005), and their decreasing ability to collaborate with each other (Barraket, 2006). From a survey of 258 NGOs in the disability sector in Victoria and Queensland, Rawsthorne identified the ways in which the marketisation of the sector was placing pressures on NGOs and contributing to organisational ‘fragility’ (Spall & Zetlin, 2004). These include: increased regulatory demands by government; having to seek funds from a proliferation of programs; pressures to be innovative; one-off events such as the Goods
and Services Tax; escalating expectations for increased efficiency; increased competition for resources; increased time spent on managerial and financial functions; and changing government policy and priorities. Other factors contributing to organisational fragility included inadequate funding for organisational infrastructure and the full cost of service provision, and workforce casualisation. The study also identified a common concern that contracting increases pressures to merge but reduces collaboration between organisations. Spall and Zetlin (2004) reported that some organisations had responded to the pressures by becoming more enterprising, while others had not. But even the more enterprising did not appear to be guaranteed protection from fragility.

The above discussion has largely been about government funding. The private sector still provides considerable support to NGOs but, as Lyons (2001) has noted, the nature of that support is changing from gift to business transaction. At times, this requires more from the NGO than simply engaging in its core business, including the willingness to match its goals with those of its business supporter. With such conditions, NGOs often become risk-aversive in order to attract further funding. There is thus a reduced incentive to be innovative, and a reduced capacity (Fitzgerald, 2004).

Finally, there is the issue of which sector — government, for-profit or NGO — should be funded to run AOD services and projects. There is a lack of research on this issue, particularly in the AOD sector. Building upon earlier work by Savas (1987), Osborne and Gaebler (1992) have outlined strengths and weaknesses of the three sectors. These have been summarised in Table 1. Osborne and Gaebler proposed that, given the relative strengths and weaknesses of the three sectors, the third sector is best placed to handle tasks that:

- generate little or no profit margin
- require compassion and commitment to other humans
- require a comprehensive, holistic approach
- require extensive trust on the part of customers or clients
- require volunteer labour, and
- require hands-on, personal attention.

(1992, p.346)

The applicability of this framework to the AOD sector in each jurisdiction of Australia at the current time is not known. A framework for identifying which services and projects are best run in Australia by government, for-profit and the NGO sectors remains to be developed.
Table 1: Strengths and weaknesses of the three sectors

(H = high, M = moderate, L = low level)

<table>
<thead>
<tr>
<th></th>
<th>Public</th>
<th>Private</th>
<th>Third</th>
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</thead>
<tbody>
<tr>
<td><strong>Public sector strengths</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stability</td>
<td>H</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>Ability to handle issues outside central mission (e.g. affirmative action)</td>
<td>H</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>Immunity to favouritism</td>
<td>H</td>
<td>M</td>
<td>L</td>
</tr>
<tr>
<td><strong>Private sector strengths</strong></td>
<td></td>
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<tr>
<td>Ability to respond to rapidly changing circumstances</td>
<td>L</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Ability to innovate</td>
<td>M</td>
<td>H</td>
<td>M</td>
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<tr>
<td>Tendency to replicate success</td>
<td>L</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Tendency to abandon the obsolete or failed</td>
<td>L</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Willingness to take risks</td>
<td>L</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Ability to generate capital</td>
<td>M</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td>Professional expertise</td>
<td>M</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Ability to capture economies of scale</td>
<td>M</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td><strong>Third sector strengths</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to reach diverse populations</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Compassion and commitment</td>
<td>M</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Holistic treatment of problems</td>
<td>L</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Ability to generate trust</td>
<td>M</td>
<td>M</td>
<td>H</td>
</tr>
</tbody>
</table>

Source: Osborne and Gaebler (1992)
2.4.2 Findings from the key informant consultations

Informants recognised that there have been large increases in funding from the Australian Government for the AOD sector since 1986. But despite these funding increases, key informants from all three jurisdictions asserted that the funding situation is weakening Australian NGOs in the AOD sector.

Most informants asserted that current government funding schemes have been insufficient for the AOD sector. The prevalence, complexity and relapse of AOD issues call for services that are well resourced, but seldom do funding bodies support the full cost of service provision, including infrastructure and operational costs. NGOs are expected to supplement these limited funds by other means. This sentiment was common to all three jurisdictions. The frustration experienced by NGOs is evident in the following statement from an informant:

Government CPI increases have not kept up with things like workers comp / work cover claims, public liability. NGOs have also been required to keep in line with legislative requirements. Where NGOs have tried to raise this issue with government bodies, they have been told they would have to find the money themselves.

Some informants expressed significant concern that the government was increasingly transferring risk to the AOD NGO sector by asking the sector to take on the most complex and difficult clients, but not funding them sufficiently to do so.

Informants in the Northern Territory were especially concerned about the high costs associated with service provision in regional and remote areas. Both NGO and funding-body informants were cognisant of the need for infrastructure to support services and attract staff. For instance, there was a need for staff accommodation, public transport and office space, as well as other community amenities.

One informant asserted that certain legislation makes fundraising difficult for NGOs. For example, public liability legislation was cited as a barrier to such fundraising activities as the traditional ‘sausage sizzle’. Further, systems that previously assisted NGOs financially have reportedly been lost, such as cheaper rentals for surplus government property and tax exemptions.

The problem of limited funding has been exacerbated by the difficulties NGOs have experienced in attracting funding from other (non-government) sources. The stigma often associated with AOD issues, coupled with the conservative views of many Australians, has had considerable impact not only on people who experience AOD issues, but also on service providers. Some NGO informants spoke of the difficulty they experienced in justifying their service both to community members and to service providers from other sectors.

Informants from funding bodies noted that the AOD sector has been vying with other societal problems for limited funds. For example, some asserted that community concern for the ongoing drought in Australia has attracted monetary relief that might otherwise have gone to the AOD sector.

Informants from both the NGO sector and funding bodies said that few economies of scale were possible within the AOD sector. Funding bodies and NGOs alike did not always use limited funds effectively or efficiently. For instance, numerous examples were provided of time-limited funding for ‘pilot’ or ‘demonstration’ projects. These made it difficult for NGOs to plan and deliver services in the long term. Moreover,
program-specific funding prevented NGOs from addressing broader, yet related issues, including crime, youth development, mental health and public health.

The NGO informants indicated that most government bodies fund services in response to community concern, rather than responding to identified needs. Driven by political motives, the departments prefer to demonstrate a sympathetic ear to voters, rather than adopt a long-term strategy.

Informants from the Northern Territory suggested that federal government bodies sometimes funded programs that were effective in other jurisdictions, but did not necessarily address the needs of the Territory. Informants from the other two jurisdictions reported similar experiences; they indicated that, contrary to the view of some government departments, ‘one size did not fit all’. Some drug policies were thus regarded as narrow in scope, with limited funding directed towards drug prevention or related issues like youth development and dual diagnosis.

According to informants, resource allocation has been influenced by reputation as well as by political motives. Considerable funds have been provided to NGOs with favourable reputations in political circles. According to those affiliated with small-to-medium NGOs, organisations that are large, well established and professional attract the attention of risk-averse government funding schemes. Not only does this prevent the equitable distribution of resources, it also provides the successful agencies with little incentive to collaborate with resource-poor NGOs. Those informants affiliated with large NGOs, however, also had to grapple with many of the same issues faced by their small-to-medium counterparts. They too had to accommodate the interests of funding bodies, while trying to adhere to their mission statements.

All informants from the NGO sector highlighted the ways in which the contract culture has been impacting on their organisations, their staff and the services they are able (or not able) to provide. All had observed increasing competition as program information is treated as ‘commercial in confidence’. This has exacerbated existing fragmentation within the sector. Informants from funding bodies were cognisant of the way the tendering system had thwarted interagency relationships within the NGO sector. However, they asserted that the system had forced a number of organisations to become more professional and to demonstrate the value of their service.

Regardless of jurisdiction, all those consulted recognised discrepancies between and within the expectations of the federal government and State/Territory governments. This was a source of frustration for both NGO and government informants. They struggled to understand the different agendas and disparate accountability systems, and saw little sense in them.

Informants were undecided about the relative roles of government and NGOs in the AOD sector. Many informants believed that NGOs were better placed to provide programs and services involving community linkages such as community development and case management, whereas government was seen to be more effective in the provision and management of clinical services where access to health professionals and facilities was required. They noted that there is little evidence to suggest which sector is more effective or efficient for delivering AOD programs and services, and in which circumstances one is better than the other.
3. Options for moving forward

There is a wealth of research into the third sector that can inform the AOD NGO sector on options for moving forward. As discussed by Kimberly and McLellan (2006), we need to peer over interdisciplinary fences and learn from the experiences of others. They describe how problems such as staff turnover, stigma, poor leadership and inadequate infrastructure have been addressed by other industries, and point out how the AOD sector can learn from these experiences. For example:

- The waste management industry has been very stigmatized and, until recently, most of those in the field worked for small community companies with different sets of regulations and practices in each locale. Companies such as Waste Management were able to consolidate these 'mom-and-pop' companies under national standards and were able to use government-sponsored research in conservation and recycling to create new products and profit opportunities.

- The hospice and home nursing fields have had little technological support, have been financed from publicly sponsored contracts, and have been very regulated and scrutinized. Nonetheless, some organizations such as The Leader Group and Vitas have managed to consolidate smaller organizations and to gain economies of scale. They have also developed modern information systems to permit close supervision and improved quality assurance.

There have been numerous other reviews of the sustainability of the NGO sector from which the AOD sector can learn, including reviews conducted in the Northern Territory (Taylor, 2003) and in Victoria (Barraket, 2006). Options identified within the literature and by the key informants are outlined in the following section. While all of the areas for action are interrelated, the information is presented under the following headings:

- workforce development
- strengthening governance
- building relationships with government
- building relationships within the NGO sector, and
- strengthening funding.

3.1 Workforce development

3.1.1 Findings from the literature

According to Australian reports, there is an urgent need for the NGO sector to develop and invest in its workforce capacity (Skinner et al., 2003; Taylor, 2003). This need appears to be exacerbated by the increasingly complex needs of the clients in community NGOs. From a survey of 857 community service NGOs conducted by ACOSS in 2007 (Australian Council of Social Service, 2007), 69 per cent of respondents reported that their clients in 2005–06 had more complex needs than in 2004–05. In view of this trend, agencies reported that their most pressing training need was how to work with clients that have difficult and complex problems. Research on the social determinants of drug use also highlights the need for a sophisticated understanding of the complex aetiology of drug use behaviours and drug harms to inform prevention and management interventions (Spooner & Hetherington, 2005).
Skinner and colleagues (2003) at the National Centre for Education and Training on Addiction have reviewed the literature on workforce development for the AOD field. Only a few key points shall be noted here as readers can refer to Skinner et al.’s publication for further information. Skinner et al. emphasised that workforce development is not simply staff training. Improving the effectiveness of the workforce requires a multi-faceted approach to workforce development. They conceptualised workforce development intervention on three levels (see Figure 1). These were:

1. a broad systems level, which involves creating environments and systems that support the full range of workforce development strategies, e.g. policies and incentives
2. a level of organisational capacity building, which involves supporting the sustainability of the AOD workforce and helping to transform knowledge and skills into practice, e.g. clinical supervision, mentoring, job redesign
3. the level of the individual worker, where support is directed at the capacity to utilise evidence-based practice, e.g. training.

Skinner et al. noted that workforce development is required not just for frontline staff, but also for management, who need to be effective in areas such as leadership, networking, understanding the context in which the organisation operates, and managing staff performance. There is also a need for activities and mechanisms to ensure board members function with maximum effectiveness (Fishel, 2003).

As discussed by Skinner et al., organisational change is integrally linked with workforce development. Organisational change can be stressful for all involved and must be managed carefully to be effective. Strategies such as involving employees and other stakeholders in decision-making processes, encouraging staff commitment to change, and building in reward systems for change can facilitate what can otherwise be a stressful process.

Another important issue for workforce development is workforce sustainability. Skinner et al. (2003) describe a sustainable workforce as one in which:

1. the number and skills of the workforce matches the needs of the client population
2. individuals are positively engaged with their work and have the capacity to perform at their highest potential
3. individuals’ work contributes to their wellbeing
4. opportunities are provided for individuals to further their professional development and career prospects (career paths) (p.23).

Building sustainability requires multiple strategies to enhance the organisation’s capacity to recruit and retain staff, maintain high motivation, alleviate stress, prevent burnout, enhance job satisfaction, and reduce staff turnover.

Figure 1: Three levels of workforce development

Source: Skinner et al., 2003, p.vi
Workforce development cannot be achieved in isolation. It requires NGOs to work more effectively with both the government and the private sectors, drawing on their expertise and their resources (Skinner et al., 2003). It requires funding bodies to recognise that workforce capacity needs support. For example, funds are required for tailored training opportunities that meet the particular needs of services, localities and sectors (Taylor, 2003). Paying replacement staff and creating attractive industrial conditions also require funds (Barraket, 2006). However, support is more than funding. After reviewing the literature, Barraket concluded that the sustainability of the NGO sector would be enhanced by government commitment to:

- improving the recruitment and development of leadership within the sector
- developing the industrial conditions to support recruitment and retention of skilled staff within the sector, and
- working in partnership with relevant sub-sectors to devise implementable plans for industry development. (Barraket, 2006, p.16)

3.1.2 Findings from the key informant consultations

Regardless of jurisdiction, informants from the NGO sector were vocal about the need to develop and invest in its workforce capacity. They recognised this as a genuine way to attract and maintain appropriate personnel and enhance consistency in service delivery within the organisation. Particular aspects of workforce development mentioned in the discussions included the development of appropriate tertiary courses and ongoing training opportunities (largely as a solution to staff turnover). In rural and remote locations, the need for community infrastructure that enables service providers to reside in the community in which they work was cited. Informants from the Northern Territory noted the lack of housing in remote communities and the high cost of providing housing in remote locations as a barrier to recruitment and retention of staff.

Despite consensus on the importance of workforce development, how this would be achieved was unclear. Recognising the dearth of funds for workforce development in the AOD sector, both NGO and funding-body informants proposed a range of possible solutions. These included having peak bodies serve as training providers, financed by increased membership fees; government bodies enabling NGOs to access internal training opportunities; mentoring programs between NGOs and private firms; advisory groups that are convened for specific issues to advise board members on particular matters; and respite opportunities for NGO personnel to prevent burnout.
3.2 Strengthening governance

3.2.1 Findings from the literature

A wealth of literature and textbooks provide guidance on good governance practices (Anheier, 2005; Boris & Steuerle, 2006; Cornforth & Edwards, 1998; Courtney, 2002; Edgar, 2002; Fishel, 2003; Gill, 2001a; Glaeser, 2006; Graham et al., 2003; Hough, McGregor-Lowndes & Ryan, 2004, 2006; Hudson, 2005; Hunt & Smith, 2006; McCambridge, 2004; Ostrower & Stone, 2006; Plumptre, 2002; Powell & Steinberg, 2006; Taylor, 2003; Yencken, 2002). For example, Fishel (2003) has provided guidelines on the recruitment, responsibilities and processes of boards, as well as a set of resources to assist board members and executive officers in Australia. Responsibilities include legal compliance, risk management, financial responsibilities, employment legislation, policy development, strategic planning, advocacy, marketing and fundraising. Processes include meetings, working with the chief executive, monitoring progress and assessing the board. It is beyond the scope of this review to summarise all of this literature.

One issue worth noting, however, pertains to governance models. Lyons (2001) has suggested that the governance of NGOs might be enhanced by exploring the value of different governance models. He discussed ways in which the governance model can affect how an organisation handles conflict between the board and the chief executive, how it responds to change, the extent of use of modern management techniques, and how performance is measured. He has described various models of governance:

- corporate management model
- voluntary association model
- volunteer control model
- collective model
- community management model
- advisory board model, and
- constituency model.

There are no data on which governance models are used by AOD NGOs. It is likely that they are a mix of the community management model and the corporate management model, with perhaps elements of some other models. Under the community management model of governance, board members are elected by members of a community, they are volunteers and take on a number of management and administration tasks. Paid staff members are engaged exclusively in service delivery. In this model, there is no distinction between governance and management. The corporate management model draws from the business world. In this model, organisation members elect board members, and board members are responsible to organisational members and other stakeholders such as government bodies and funders. The board sets the mission and empowers a chief executive to fulfil the mission. There has been pressure in the last 15 years for NGOs to move towards a corporate management model, but for board members still to be involved in operational tasks.
Garber noted that it takes considerable time, energy and other resources to change a governance model, so the decision of whether and how to change the governance model needs to be conducted after careful consideration of questions such as:

- What are the basic values that guide our organisation and our board?
- How much trust does the board have in the ability of the chief executive to ensure that the organisation operates in an effective and ethical manner?
- How much time is each board member willing to give to the organisation in the next year? (from Fishel, 2003)

Good governance not only concerns internal operation; it also concerns working alliances with other stakeholders, including government bodies (Acheson & Williamson, 2007; Brinkerhoff & Brinkerhoff, 2002; Craig & Taylor, 2002). This suggests that good governance cannot be achieved by NGOs in isolation. It requires effort and commitment from both sectors. As stated by Lyons: ‘Good governance requires that governments rapidly develop a clear and comprehensive appreciation of the importance of the third sector. New institutional arrangements are needed for this to happen’ (2001, p.225). Similarly, a Northern Territory study suggested that the governance of NGOs could be improved through government support of NGO infrastructure (Taylor, 2003). All Australian States and Territories have either implemented or are developing agreements towards improved government–NGO relations (Casey & Dalton, 2006). This is discussed below under ‘Building relationships with government’.

### 3.2.2 Findings from the key informant consultations

While the key informants had very little personal experience in improving governance structures, they did provide a wide array of options. Most of the suggestions offered by NGO informants related to boards. Suggestions included:

- attracting committed board members by promoting the benefits associated with board membership
- appointing board members who have expertise in governance
- introducing three-year appointments to the board to minimise turnover among members
- introducing contracts for individual board members in the hope of strengthening commitment levels — the contracts could articulate members’ responsibilities as well as the responsibilities of the NGO, which might include the provision of training and relevant literature
- using board members as a resource with particular reference to marketing, politics, fundraising and informal strategic alliances
- ensuring role clarity between the board, management and staff
- convening fewer but longer board meetings to reduce cost and maximise training opportunities, and
- establishing advisory groups convened for specific issues to advise board members on particular matters.
Some NGOs had appointed board members who were already knowledgeable, experienced in management, and well networked. While this approach can improve the effectiveness and efficiency of the board, a few NGO informants recognised that it had the potential to reduce the representation of the local community.

Funding-body informants and their NGO counterparts urged federal and State/Territory government departments to streamline their administrative processes, including common key performance indicators and data collection systems. In addition to reducing cumbersome bureaucratic processes, streamlining would also help to identify voids in current datasets.

Other recommendations offered by the funding-body informants included:

- government-funded training in governance models as well as contract management
- government incentives to encourage NGOs to review current practices, and
- the adoption of governance models from the business sector.

3.3 Building relationships with government

3.3.1 Findings from the literature

Over the past decade there have been efforts in the United Kingdom, Canada, New Zealand and Australia to regulate the relationship between government and the NGO sector via written partnership agreements. These are also known as compacts or accords and are essentially ‘rules of engagement’ between government and the NGO sector. The description below of these agreements is drawn from the reviews by Barraket (2006) and Casey and Dalton (2006).

The British Compact was signed in 1998 (Home Office, 1998). The government undertook to respect the independence of the voluntary and community sector, to consult with the sector early enough to make a difference, and to recognise the cost of doing business when funding public service delivery. The voluntary and community sector undertook to operate through open and accountable organisations, involve all stakeholders, embrace diversity, and contribute constructively to public policy. Together, government and the voluntary and community sector undertook to work together to improve outcomes for the community.

The Canadian Accord was formalised in 2001 (Canada Voluntary Sector Task Force, 2001). The government and the voluntary and community sector undertook to operate through open and accountable organisations, involve all stakeholders, embrace diversity, and contribute constructively to public policy. Together, government and the voluntary and community sector undertook to work together to improve outcomes for the community.

A New Zealand agreement has not yet been ratified, but some efforts have been made to
articulate government commitments to the sector, including an emphasis on enabling a public sector culture that understands the values and context of NGOs.

Following suit, all Australian States and Territories have either implemented or are developing agreements between government and the NGO sector. Unlike the agreements described above, these are not national, whole-of-government agreements with the whole of the NGO sector. They are between each State/Territory jurisdiction and segments of the NGO sector. Five of the agreements are whole-of-government, while two are from particular State government departments (in Victoria and Queensland).

In reviewing the impact of the agreements in Australia and internationally, Barraket (2006) noted that the agreements did not necessarily achieve the intended outcomes. She concluded that effective outcomes occurred when:

- the agreement has been jointly initiated by the sector and the government
- the agreement has whole-of-government status and is championed and coordinated by a central agency
- representation of the sector in partnership arrangements has been determined by the sector itself
- commitments to partnership recognise the benefits of collaboration, the independence of the sector, and shared understanding of accountability
- partnership arrangements recognise and commit to the sector’s involvement in policy development and review, as well as service delivery, and
- there are mechanisms to put partnership agreements into action, to reward good practice and to deter non-compliance. (Barraket, 2006, pp.12–13)

In addition to agreement between government and NGOs, Barraket (2006) noted that there is a need for a government structure to provide centrally coordinated support for the NGO sector. For example, the United Kingdom Government has created an Office of the Third Sector within the Cabinet Office, and the New Zealand Government has created an Office for the Community and Voluntary Sector within the Ministry of Social Development.

Even without an explicit agreement, the government and NGO sectors share a symbiotic relationship, as Saidel (1991) observed. While NGOs might depend on government bodies for funding, government departments are equally dependent on NGOs to deliver vital community services. Saidel argued that it is important that NGOs recognise their position and the bargaining power they hold. However, as noted by Casey and Dalton (2006), this equality of dependency is more likely to exist when the number of organisations providing the service is significantly limited.

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Casey and Dalton (2006) have described a number of ways in which community service organisations (CSOs) can engage in policy processes, and suggest that recent changes have provided new entry points for CSOs:

The emerging structures and processes of government and governance offer a range of new possibilities that are yet to be fully exploited by CSOs. For example, the increase in ministerial policy staff evident across Australian governments — which was identified above as a reason for exclusion of CSOs — also creates a potential new ‘entry point’ for policy advice that CSOs can seek to exploit. Even the direct democracy and e-democracy processes can be sources of new opportunities for CSOs, despite their emphasis on bypassing community groups to reach individual citizens. (p.30)

3.3.2 Findings from the key informant consultations

At the time of data collection, New South Wales (New South Wales Department of Community Services & Forum of Non-Government Agencies, 2006) and Victoria (Victoria Department of Human Services, 2006) had implemented agreements with the NGO sector, and one was under development in the Northern Territory. Most of the NGO informants were unaware of the existence of these agreements. Those informants who did know about them saw inherent problems in their development. For instance, according to a couple of the government informants, the State government had largely centralised communication channels through one NGO peak body, while excluding agencies not affiliated with it, as well as other peak bodies. An academic informant said that the Australian versions of the agreements are ‘pale imitations’ of overseas versions, which involve whole-of-government with whole-of-sector.

Funding-body informants saw a need for government bodies to work with NGOs in the AOD sector, to involve NGOs in government planning to ensure a comprehensive service system, and to link NGOs with the government health system, rather than keeping them on the periphery.

While peak bodies can help to ease government–NGO relationships, a few funding-body informants noted a need to diversify communication channels to enable NGOs that are not affiliated with a peak body to interact with government departments.

A few informants observed that there is a need for NGOs to balance their government alliance with their alliance to the community they serve.

The Northern Territory has neither a peak body nor a government–NGO agreement. According to some government informants, these were not required because the small size of the jurisdiction enables NGOs to access and lobby government bureaucrats and Ministers directly. However, this view was not shared by all within the Territory. Informants from the NGO sector recognised the need for a peak body to coordinate the sector, identify common concerns, and advocate on its behalf.
To strengthen the independence and advocacy ability of the NGO sector, both NGO and funding-body informants recognised the need for greater communication and coordination within the AOD sector, and between government and NGOs. They highlighted the fact that intra- and inter-sectoral alliances can be a source of lobbying power (as well as purchasing power). Suggested methods for enhancing these alliances included:

- regular forums among AOD NGOs to discuss the sustainability, governance and funding of the sector, and to develop a strategic plan, and
- the establishment or strengthening of AOD peak bodies, which could be achieved through:
  - support from existing peak bodies
  - support from government departments
  - increased membership fees
  - informal networks between NGOs in the sector
  - formal coordinated alliances between NGOs in the sector.

Because of associated consequences, each option needs to be considered carefully. For example, support from existing peak bodies might dilute issues that are specific to the AOD sector; support from government departments might constrain peak body activities; informal networks might lack sufficient structure and accountability mechanisms; and formal coordinated alliances might preoccupy the peak body with non-advocacy efforts, like ensuring compliance with official agreements between NGOs.

Notwithstanding a consensus about the need for coordination, the NGO and funding-body informants offered different recommendations. For example, informants from the NGO sector encouraged funding bodies to reconsider the contract clauses that mute political voice — particularly those that directly affect peak bodies. They also supported increases in peak-body membership fees. While this might be problematic for small agencies, increased funds would foster the independence and advocacy efforts of peak bodies.

Conversely, funding-body informants suggested that existing AOD peak bodies be represented on relevant government councils. However, given the limited number of AOD peak bodies, they also recognised the value of bypassing political bureaucracy by lobbying Ministers directly.
3.4 Building relationships within the NGO sector

3.4.1 Findings from the literature

As discussed by Barraket (2006), there has been a trend towards place-based approaches to social problems and this has contributed to an emphasis on integrated approaches: local needs are addressed via collaborations between government, NGOs and communities. Service coordination has long been argued to be a means of increasing health- and social-service efficiency and effectiveness (Foster-Fishman, Berkowitz, Lounsbury, Jacobson & Allen, 2001; Roussos & Fawcett, 2000; Zakocs & Edwards, 2006). Reviews of collaborative partnerships identify factors that contribute to success.

While collaborative partnerships are recommended for achieving health outcomes, they have also been proposed as a way of addressing infrastructure and workforce development needs (Landau, 2006; Yankey & Willen, 2005). Examples include the establishment of peak bodies, the appointment of lead tenderers, and the co-location of organisations (Taylor, 2003). Some of these sharing models have the potential to help NGOs achieve economies of scale (Corredoira & Kimberly, 2006; Yankey & Willen, 2005), an outcome of particular benefit to small and/or recently established agencies that can take advantage of support from larger well-established organisations (Lyons, 2001). Further detail about additional possibilities is provided in Table 2. One barrier for NGOs in the AOD sector to embark on such substantial change might be a lack of evidence to indicate which models work for particular organisations.

3.4.2 Findings from the key informant consultations

NGO informants recommended greater coordination among NGOs. This would include both regional coordination (particularly in rural and remote areas where services are often introduced from outside the area) and national coordination (which could be guided by the ANCD). One informant suggested establishing a link to the Vienna Non-Governmental Organization Committee (VNGOC). This committee provides a link between NGOs, the United Nations Office on Drugs and Crime and the Commission on Narcotic Drugs.6

Sharing models between NGOs were deemed worthwhile by many NGO informants — whether through the amalgamation of organisations or through the sharing of resources, information and experience. While these models help NGOs to share limited resources, tap into each other’s expertise, and create synergies, they also enable funding bodies to liaise with fewer NGOs and thus reduce administrative procedures.

http://www.vngoc.org
## Table 2: Organisational models

<table>
<thead>
<tr>
<th>Model</th>
<th>Amalgamation</th>
<th>Merger / conglomerate</th>
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<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Two or more existing incorporated organisations wind up and incorporate as a new legal identity</td>
<td>One organisation takes over one or more organisation/s. This can be initiated by any of the parties, and may or may not be by agreement</td>
</tr>
<tr>
<td>New legal entity</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Organisations remain separate legal entities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New organisational entity</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Organisations remain separate organisational entities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Who manages new entity</td>
<td>New management</td>
<td>Usually acquiring organisation</td>
</tr>
<tr>
<td>Separate strategic plan</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Separate budget</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Common philosophy</td>
<td>Usually</td>
<td>Usually</td>
</tr>
<tr>
<td>Common goal</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>New agreement with funding body</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Duration of agreement</td>
<td>Indefinite</td>
<td>Indefinite</td>
</tr>
<tr>
<td>Does new entity restrict past organisations forming other partnerships?</td>
<td>Yes — only new</td>
<td>Yes — only new</td>
</tr>
<tr>
<td>Special role for one organisation or individual</td>
<td></td>
<td>Organisation that takes over</td>
</tr>
</tbody>
</table>

Source: Taylor, 2003, pp.91-92
<table>
<thead>
<tr>
<th>Shared service cooperative / consortium</th>
<th>Strategic alliance</th>
<th>Lead agency</th>
<th>Service network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two or more organisations come together to form a whole, with each organisation contributing to the whole</td>
<td>In an environment of uncertainty two or more organisations collaborate to achieve an agreed political outcome, which has a separately agreed-upon plan and budget but does not form a new legal entity. This can be short-term</td>
<td>Two or more organisations combine under a designated ‘lead agency’ (e.g. local government, a consortium, a government department, a single organisation) which handles funding, administration, accountability and legal requirements on their behalf</td>
<td>An informal linking of organisations formed, e.g. to save money, jointly take advantage of opportunities, share information</td>
</tr>
<tr>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Joint</td>
<td>Joint</td>
<td>Admin lead agency</td>
<td></td>
</tr>
<tr>
<td>✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Optional</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>For separate funding</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>As desired</td>
<td>As desired</td>
<td>Life of tender</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>No</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
However, a number of NGO informants were wary of models of sharing that might dilute their distinct identities and weaken their autonomy. This was particularly the case for those affiliated with small NGOs. Some also asserted that if smaller NGOs were taken over by larger NGOs, then there would be less community input:

The issue of mergers is not one shared by many NGOs. It tends to be put up by the larger NGOs where they have something to gain from such an option. This option is not supported by the smaller NGOs who see their autonomy as being at risk... If this option was pursued, then there is the risk that the smaller NGOs would be taken over. If this was to occur, then there would be less community input, as it is the smaller NGOs that have greater input from community groups. The bigger the NGO gets the less you start relying on community support as you shift into corporate model where there are less members of the community involved. There is therefore an important role for the smaller agencies.

Those affiliated with medium-to-large NGOs were also wary of models of sharing. While there was some support for back-office mergers, there was also apprehension about sharing ideas and resources for fear of losing their competitive edge.

Practical issues could also be barriers to sharing models. For instance, NGO informants in New South Wales said that recent amalgamations of Area Health Services had resulted in jurisdictions that are too large and thus difficult to work with. NGO informants in the Northern Territory had few opportunities for interagency networking and collaboration because of the small number of agencies across the Territory, the use of transitory services, geographical remoteness and government policy that prevented the sharing of funds between agencies.

Where NGO collaborations had developed, they were sometimes dominated by the largest and most established organisations. This sometimes caused apprehension within the smaller NGOs, for fear that identity and/or autonomy would be lost.

The funding-body informants (like their NGO counterparts) viewed NGO collaborations and mergers favourably, and recommended that government departments encourage them as a way of improving external governance structures. They argued that this could be achieved through regular, government-funded, interagency forums, as well as through policy development and/or funding schemes. The Good Health Alliance in the Northern Territory was suggested as a model that might overcome NGOs’ fears about a loss of autonomy and/or identity. This alliance involves five NGOs united through a formal agreement aimed at preventing chronic diseases in the jurisdiction and improving the management of them (Opie, 2003). This is expected to improve the coordination and advocacy of services.
3.5 Strengthening funding

3.5.1 Findings from the literature

It is rare that the operating revenue of an NGO comes from only one source (Lyons, 2001). Possible sources include fundraising efforts, service fees and charges, business ventures and investments, as well as government funding, either directly or indirectly (through infrastructure support or training).

There has been increased interest in social enterprises as a source of untied and ongoing funds for NGOs (Borzaga & Defourny, 2001). These enterprises are activities or organisations that trade in goods or services to achieve a specific social purpose. Barraket (2004) has noted that there is no universally accepted definition of ‘social enterprise’, but has outlined the following common features:

- social purpose is the principal driver of activity
- social purpose is achieved primarily through entrepreneurial and/or trading activity
- organisational sustainability is a core objective
- there is non-distribution (or very limited distribution) of profit to individuals
- surplus is reinvested in enterprise or the community
- constituents are democratically involved, either through member ownership or representation in organisational governance, and
- there is accountability to a defined community and/or the wider community. (p.4)

One well-known example of a social enterprise is The Big Issue, a magazine edited by journalists and sold by homeless people (initiated in the United Kingdom, now in Australia). In Australia, social enterprises include the Brotherhood of St Laurence’s (BSL) Mod-style, which imports and wholesales optical frames; and BSL community stores and Hunter Gatherer stores, which sell second-hand clothing and furniture. BSL also has what it calls ‘community enterprises’, which include a training component for young people and the long-term unemployed.

While there is some enthusiasm for the use of social enterprises to enhance funding, a review from the Seedco Policy Centre suggests the need for caution (Kleiman & Rosenbaum, 2007). For example, the review reported research on a random sample of social ventures in 2001: 71 per cent lost money, 5 per cent broke even, and 24 per cent were profitable. The authors noted that engagement in social enterprises can divert NGOs from their mission. While this is not to suggest that social ventures are not a good idea, the authors recommended keeping social ventures simple and using models that have worked before. Barraket (2004) has described how public policy frameworks in the United Kingdom and in some parts of Canada have...

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8 See the Brotherhood of St Laurence website for details: http://www.bsl.org.au/.
been established to support social enterprise. These include tax reforms and changes to the regulatory requirements for non-profit organisations.

Client fees are a possible source of revenue. However, given the already disadvantaged nature of the clients of AOD services, fees are likely to create a further barrier to treatment (Spooner & Hetherington, 2005). In the United States of America, Salamon (2005) observed that NGOs that were forced to rely on fees and charges skewed their services to clients who were able to pay. What began as a sliding fee scale, designed to assist those with limited means, became a core revenue source, essential for survival; and NGOs that needed to raise capital were naturally tempted to locate new facilities in places with a client base able to pay.

Strategic marketing has become a key to enhanced funding and sustainability of NGOs. As discussed by Chew (2004):

the charity market is increasingly fragmented with a handful of very large charities dominating the market in terms of marketing expenditures. These larger and better resourced charities tend to lead in terms of fund-raising and use of marketing strategies, and have been able to attract more funds to the detriment of smaller charities ... charities perhaps need to invest more in strategic issues such as image/awareness building, positioning and branding aimed at different target audiences and to be more proficient in using marketing techniques if they are to compete successfully in today’s competitive environment ... the question now is not why marketing is needed, but what approach/strategy to use and how these can be best adapted by charity market- ers. (pp.6–7)

Chew argued that positioning was important because NGOs cannot be all things to all people. They must define what they can do well, and differentiate themselves from other service providers so that users and stakeholders know what they stand for. They need to deploy assets and capabilities effectively to develop a competitive advantage.

Funding bodies can support the financial sustainability of NGOs. Lyons (2001) has suggested changes to the funding models for NGOs that would enable them to do this. While the competitive model of funding is common at present, an analysis of its long-term impact on the NGO sector has never been done. Lyons argued that there are other models that might strengthen the sector. For instance, government departments could encourage social capital growth by adopting the planning or submission models, whereby government identifies the services and fields it wants to encourage. This change could encourage government bodies to help identify where social capital is in short supply. The philanthropy model, whereby ‘government helps the non-profit organisation by making a grant for a project the non-profit organisation has initiated’ (Lyons, 1997, p.9), is another model that could assist NGOs, rather than subjecting them to further pressures.

Barraket (2006) has identified a number of issues that need to be addressed by government to support the financial sustainability of the NGO sector in Victoria, and which have relevance to the AOD sector across Australia. These are:

- an actively implemented commitment by government to fully fund the services it procures from the community sector
- government service–purchasing strategies that take into account the social value added by community sector providers
Options for moving forward

- taxation legislation that supports investment in the sector
- a regulatory environment that enables innovation within the sector, and
- public policy frameworks that recognise and support the diversity of the sector, rather than prescribing particular approaches to generating income. (p.19)

Barraket (2006) has also identified a number of ways in which government can change the regulatory environment to improve the financial sustainability of the NGO sector:

- significantly reduce the compliance costs of financial and other forms of reporting
- make a tangible commitment to developing the sector’s capacity to manage accountability requirements generated by changing government requirements
- better target regulation to take into account relative risks and costs of administration, both to government and to the sector
- coordinate and disseminate regulatory data collected, to ensure that it can assist the sector in understanding its own performance, and
- advocate for improved coordination between federal and state regulatory requirements. (p.21)

In relation to the issue of the burden of inconsistencies in the financial reporting required by government programs, both the Queensland Government⁹ and the New South Wales Government¹⁰ have developed a standard chart of accounts.

3.5.2 Findings from the key informant consultations

Across the three jurisdictions, discussion of funding for NGOs tended to focus on government funding. Informants from both the NGO sector and the funding bodies recognised that NGOs provide vital community services that are not provided by government departments, and for which the full cost of service provision is not met. All informants agreed that increased government funding was warranted, although most did not think it likely.

Informants suggested a range of ways to improve the funding situation. One suggestion was that independent research into the actual costs of services according to service type, clientele and geographical location could help to guide the allocation of government funding and assist NGOs in the development of tenders.

Even without such a study, NGO informants were convinced that those within the sector should make every effort to incorporate total costs into their funding submissions. They also argued that funding contracts that undermined any capacity of an NGO should be refused. Failure to do either of these was thought to jeopardise the sector as a whole. However, it was acknowledged that, unless all NGOs in the sector were united in this approach, the strategy would simply disadvantage the NGOs that did take a stand.

It was noted that no one funding model was ideal for all. Some models favoured the large NGOs, while others favoured the smaller ones. A mix of models was proposed so that large and small NGOs could be supported,


and funders could get what they wanted. Funding models considered to favour the larger NGOs because of their larger infrastructure (e.g. to prepare grant applications and tenders) or higher profiles were:

1. funding units of service — purchaser provider
2. fee for service
3. normal competitive grants
4. tenders
5. private philanthropic grants, and
6. set percentage to capacity, i.e. a set percentage (e.g. 20 per cent) of a grant is allocated to capacity, while the remaining 80 per cent goes to services. It was noted that small NGOs have less capacity than large NGOs, and hence less ability to make use of the 20 per cent.

Funding models that were considered supportive of smaller NGOs included the following:

1. a core capacity grant model in which service and capacity are separately funded, i.e. government funds a small NGO to provide services but funds a large NGO to provide that small NGO with back-office facilities and capacity (e.g. transport), the rationale being that large NGOs have the economies of scale to provide this capacity
2. funding peak organisations to provide support for their members e.g. discounted group training, and
3. capacity grants specifically for small NGOs — government earmarks capacity funding for small NGOs.

Other recommendations proposed by NGO informants included:

- cost-saving measures, like resource sharing and the bulk purchase of office equipment and insurance policies by peak bodies
- using organisations like United Way, a national network of local independent organisations aiming to build strong communities, to attract donations through regular employee payroll deductions
- business investments like property development
- marketing the sector in a concerted way to increase the perceived value of AOD services
- active campaigning to attract Medicare support, akin to mental health services, and
- liaising with political advisers to develop greater awareness about changes in government agendas, thus enabling NGOs to respond in the most appropriate way.

Some informants also identified service charges as an option, although most did not consider it to be a practical solution because most clients have limited means.

Funding-body informants were largely sympathetic to the financial situation of NGOs within the AOD sector. They pointed out that government departments had the capacity to support NGOs in the preparation of funding submissions, and that large NGOs could nurture small-to-medium organisations. Additionally, informants believed that funding schemes should support only those programs that were well resourced, sustainable, evidence-based and evaluated at completion, and that funders should know the full cost of service provision and pay no less.

Informants from both the NGO sector and funding bodies recognised a need to extend the periods of government funding. Given the complexity of AOD issues, informants argued that it was unrealistic to expect positive outcomes when funding periods were attached to political cycles. Instead, funding timeframes needed to be extended.

Both groups of informants proposed public education as a way of reducing the stigma often associated with the AOD sector. Like the campaigns championed by the gay community and the mental health sector, public education around AOD issues might help to personify them and, in turn, enhance funding. It might also help to attract tertiary students and professionals in both paid and voluntary capacities. This would require NGOs to use media outlets strategically.

A number of informants suggested that there is much to be gained from connections with other sectors. Related sectors like mental health, domestic violence and early childhood have attracted government attention, and thus government funding. Given the overlap between these issues and AOD, it was proposed that the AOD sector affiliate with these sectors and derive similar attention and support.

Some NGOs stressed the need to remove political agendas from funding decisions. One suggested option was to set up an independent body that would be responsible for funding AOD agencies. The Alcohol Education Research Foundation was noted as an example of this funding model.

While reliance on multiple sources of funding was generally considered problematic (with multiple tenders, multiple reports and multiple agendas), it was suggested as a positive option by one informant, who identified it as a means of reducing the chances of ‘falling over’ if problems occurred with one of the funders.
4. Conclusions

The study reported here has provided an overview of issues and some options for the enhancement of governance, sustainability and funding of NGOs in the AOD sector. There was very little research specific to the AOD sector in Australia. However, there was a wealth of research on the NGO sector in Australia and internationally which is relevant to the AOD sector. It was beyond the brief of this project to develop a blueprint for action for each NGO and for the sector as a whole in each jurisdiction and across Australia. This project has, however, been able to collect information on the issues and possible areas for action to inform future debate, research and planning. The issues and options are briefly summarised below, followed by a discussion of some key areas for attention by the AOD sector.

4.1 Key issues

Key issues identified by the research related to workforce capacity, independence, governance and funding. In relation to workforce capacity, key issues were a lack of investment in management and organisational capacity, difficulties recruiting and retaining managers and staff, and lack of attention to managing volunteers. Related to these workforce capacity issues was a lack of evidence-based practice.

Concern was expressed about the nature and extent of government influences on the independence of NGOs to advocate for their community, and on the ability of NGOs to contribute to government policy. But evidence on this point was mixed.

Governance issues were both internal and external. Internal issues included the tendency for tension between the board and the chief executive and the limited capacity of volunteer board members due to factors such as the qualifications, training and level of involvement of board members. External stresses included greater scrutiny and expectations of risk management in an increasingly litigious society, and pressure to perform like a business.

Despite increased funding for the AOD sector, NGOs have been experiencing financial deficits which impede workforce development and service delivery. Reasons for the financial problems include the failure of funders to pay for the full cost of services/projects, increasingly complex clients, increased organisational costs (e.g. the Goods and Services Tax, infrastructure and compliance), increased competition for funds, and a tendency for funding to be short-term and project-specific. Smaller NGOs and NGOs in remote areas appear to be particularly struggling in the current environment.

The combination of financial difficulties and a competitive funding model was reportedly exacerbating fragmentation within the sector.

In summary, there was some evidence to substantiate the list of concerns expressed by the ANCD. Under the competitive funding model, NGOs have been treated as though they were businesses. They have been exposed to increased expectations for accountability and performance, while at the same time they have been dealing with increasingly complex clients and increased back-office costs. Limitations in governance, management and workforce capacity, and barriers to cooperation within the sector, have made improving these conditions a challenge.

Smaller NGOs appear to have been struggling particularly in the current environment. NGOs working with remote and Indigenous communities also have particular problems, such as the lack of other agencies to partner with and the lack of qualified staff and board members.
4.2 Options

Options for future action identified by the research include strategies for workforce development, strengthening governance, building relationships, and strengthening funding.

Workforce development, not only for staff, but also for management and the board, is needed at systemic, organisational and individual levels. As the clients and their issues become increasingly complex, the need to improve evidence-based practice has become paramount. This requires investment on the part of individual NGOs, but also support from government and other funding bodies, and from the business sector. Peak bodies and the larger NGOs can also contribute to workforce development within the sector.

Suggestions for improving governance include paying attention to recruiting, training and supporting board members. In addition, governance might be enhanced by exploring different governance models.

Strategies for building relationships with government include formal agreements, as well as action on the part of NGOs in seeking and building relationships with government. There are a number of ways in which NGOs can exploit the government policy emphasis on partnerships and thus contribute to policy. NGOs need to recognise and use the power they have. Assessments of formal agreements to date suggest that there are a number of factors that contribute to their success; for example, a commitment to the partnership by both sides, a whole-of-government commitment, and mechanisms to reward good practice and deter non-compliance.

In the case of building relationships within the sector, there are numerous sharing model options available. These include the sharing of back-office resources, amalgamation and lead-agency arrangements. Sharing models have advantages such as creating economies of scale and allowing resources to be shared. However, there was some concern about sharing models. In particular, smaller NGOs were concerned about losing autonomy and connection with the community, and all NGOs feared losing their competitive edge.

A number of suggestions were made of ways in which NGOs could strengthen their funding positions. One of these was the creation of social enterprises, although caution was recommended because a high percentage of social ventures have lost money. Other options included investment in strategic marketing and a campaign to remove the stigma associated with AOD problems. Suggestions were also made of ways in which government could strengthen the funding situation of NGOs. These included changes to the funding models, from competitive to planning or submission models; conducting research into the full cost of service delivery; commitment to paying the full cost; and changes to the regulatory environment with the aim of reducing compliance costs.
In summary, action is needed both from within the sector and from the context in which the NGO sector operates. While a number of specific suggestions for government are provided above from the literature and consultations, Lyons (2001) has identified a number of overarching ways in which the government could support NGOs. He suggested that government:

- stop treating NGOs as though they belonged to the for-profit sector — this benefits the for-profit sector and the only non-profit organisations that survive will be those that behave like for-profit bodies
- support advocacy groups — these groups need to be government funded in order to give a voice to the disadvantaged
- investigate new models of governance in Europe, where government facilitates communities to solve problems
- provide a single national authority to regulate the activities of non-profit organisations in a coherent, consistent and appropriate way, e.g. the English Charity Commission, and
- establish an agency in the Prime Minister’s office and in each Premier’s office that understands NGOs and will inform all government policy making affecting them, e.g. the Office for Women in Australia, or the Voluntary Services Unit in the United Kingdom.

4.3 Themes

A number of themes appear to be crucial if NGOs are to move forward. These include the importance of relationships, innovation and adherence to the organisational mission. The issue of relationships was discussed in terms of relationships within NGOs (e.g. workforce development, relations between the board and the chief executive), between NGOs (e.g. sharing models), between NGOs and government (e.g. partnerships), and between NGOs and business (e.g. business supporting workforce development).

Innovation is crucial if organisations are to move ahead in a changing world. It is not sustainable to adhere to old practices simply because they have worked in the past or because they feel good. Moreover, NGOs have a tendency to focus on immediate problems rather than being strategically oriented (Saxon-Harrol & Kendall, 1994). Lyons (2001) has noted the importance of adaptation for NGOs:

Over the longer term, the reason why third sector organisations fail is that they did not sufficiently adapt to changing circumstances. A particular need that an organisation was established to meet may disappear, it may be more efficiently met by other organisations such as for-profit firms or it may take a different form ... if it has certain hard-won skills and other resources, it should review its objects in the light of its fundamental mission and adapt to its changed environment. Of course, if organisational adaptation has been long delayed, the transformation can be quite traumatic. (p.112)
Innovation requires investment in research (which also contributes to marketing). It includes identifying need (who is not being serviced?), identifying what is working (and could be expanded) and what is not working (so should be dropped). While larger organisations typically have greater capacity to conduct in-house research, commission research or partner with academics to attract research funding, smaller NGOs can and must also engage in research. Failure to invest in change will ultimately result in a reduced capacity to provide services. As Fishel (2003) explained:

Changing models is like changing lifestyles. You must abandon well-established ideas and patterns of behaviour, replacing them with new ideas, roles, and activities that will seem confusing and unfamiliar. This type of change takes a considerable amount of time, energy, and other resources to accomplish. (p.2280)

All NGO informants we spoke with stressed the importance of maintaining organisational values and independence. This is essential for their viability in the longer term. Research has suggested that organisations that identify and work within a core set of meanings and beliefs are more successful than other organisations (Collins et Porras, 2002).

This report has covered an area that deserves greater research attention. There was very little research to guide the way forward. For example, there was no research into:

- trends in funding in the AOD sector and how they compared with other sectors — specifically, trends in government versus other sources of funding, trends in contractual obligations, and so on
- the best ways for NGOs to advocate for their constituencies
- the full cost of services
- the efficiency and effectiveness of service provision by NGOs relative to government organisations and the for-profit sector, and
- the impact of government–NGO agreements in Australia.

This report provides an overview of issues and ideas that can assist the AOD NGO sector in discussions and planning for improving long-term sustainability. As one member of the project Advisory Committee noted: ‘We’re not even discussing this stuff! We hope that this report will stimulate discussion and enable more strategic thinking and planning across the AOD NGO sector.'
5. Appendices

5.1 Methodology

This project was a multi-method study, which included a review of research literature and consultation with key informants. These methods were informed by members of the Advisory Committee.

5.1.1 Literature review

The research team conducted a review of academic literature, unpublished reports, and internet-based material from relevant fields and a range of disciplines. The objectives of this review were to examine:

- the historical context of NGOs, particularly those in Australia
- the roles, strengths and limitations of NGOs
- contemporary issues experienced by NGOs, particularly around sustainability, governance and funding, and
- options that might overcome these issues.

Due to resource limitations, existing reviews and meta-analyses were used as much as possible.

The fields represented within the literature reviewed include drug and alcohol service provision, human service provision (particularly health care and mental health care), governance, sustainability, the third sector, management studies, organisational change, corporate governance, government reform, policy development, community development, paucity management, social entrepreneurship, interagency partnership and workforce development. The disciplines include social science, humanities, business management, sociology and public health.

To ensure thoroughness, the research team consulted with academics, policy makers, peak bodies and practitioners who were familiar with the area under investigation and who were able to provide advice on available literature. This process was further informed by investigating a range of forums, particularly email-based discussion lists for academics, policy makers, peak bodies, practitioners and service users. These included the Alcohol and other Drugs Council of Australia (ADCA) Update and the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA).

5.1.2 Key informant consultations

Sample selection and recruitment

Expert sampling was employed to identify the study sample (Trochim, 2006). The Advisory Committee identified key informants who were well versed in strategic decision-making processes in the areas under study. These were individuals who had employed or developed innovative models to enhance service provision and effectively managed issues around governance, sustainability and/or funding. The Advisory Committee sought to maximise diversity in the perspectives and organisations represented.

Two consultation meetings were held in each of the three jurisdictions. Two of these were in Sydney and Melbourne, and represented sites with a large number of appropriate stakeholders (Siggins Miller, 2005). The third location was Darwin, which represented unique issues due to, for example, its location in a Territory as opposed to a State, its high Indigenous population, and the remoteness of many of its communities. In each jurisdiction, separate meetings were conducted with (a) representatives of
the NGO sector and others (e.g. academics), and (b) representatives from funding bodies. (See Appendix 5.2 for a list of individuals consulted.)

Following their identification, key informants were invited to contribute to the study. Initial contact was made via telephone or email; subsequent contact through written correspondence verified their participation. The written material provided informants with details about the research team, the funding body, the aim of the study, the nature and level of involvement requested, ethics clearance, the meeting time and place, and the schedule of questions that would guide the meeting (see Appendix 5.3). Those who refused were replaced where possible. All six meetings comprised approximately ten representatives each.

In preparation for the meeting, the key informants were asked to consult with colleagues and/or the people whom their organisation represents in order to determine their views about the issues relevant to the project. They were also invited to bring to the meeting any documents that might be useful.

To ensure the collection of a range of perspectives, service providers represented an array of service types (including treatment, prevention and advocacy services), a range of service locations (metropolitan, rural and regional), and a variety of target client groups: women, men, parents with dependent children, young people, Indigenous people, culturally and linguistically diverse communities, and people who experience co-morbidity.

The individuals from the funding bodies that were consulted included representatives of federal government departments, State and Territory government departments, and philanthropic bodies.

Key informants were chosen for their personal knowledge of the topic, and not because they represented a particular organisation. Biographical information was sought from the informants to demonstrate the breadth and depth of their experience. The information provided can be found in Appendix 5.4.

Consultation meetings

Each consultation was facilitated by the two report authors and guided by the following themes:

- the issues that NGOs in the AOD sector are currently experiencing in relation to governance, sustainability and/or funding
- factors that influence these issues, and
- strategies to address the issues.

With the consent of those present, discussions were documented and digitally recorded. Notes were prepared by the research team and provided to the key informants for verification.

Analysis of the research material

The content of the research material collected during the consultations was examined to identify key themes. This process was aided by:

- comparing the views of NGO representatives with those who represent funding bodies
- comparing the three jurisdictions
- comparing the views of informants from the AOD sector with those not directly affiliated with this sector, and
- examining the ways in which the issues under investigation have changed over time.
Using a reflective, iterative process, theme content was interrogated to explore relationships between and within the themes. The process enabled the researchers to engage in a systematic method of analysis using an eclectic process, whilst remaining open to alternative explanations for the findings (Creswell, 1998).

Several discussions were conducted between the two researchers on the research material and their interpretations. These meetings provided important opportunities to create meaning from observations and impressions, and to check and recreate it, constantly reflecting on personal biases.

5.1.3 Additional methods

To broaden the consultative process, a brief confidential survey was distributed via email-based discussion lists that network academics, policy makers, peak bodies, practitioners and service users: ADCA Update and ARNOVA. The survey can be found in Appendix 5.5.

Subscribers to the lists were invited to consider the issues identified by the ANCD and the research team and describe any perceived jurisdictional differences by country, State or Territory.

Subscribers were also invited to prepare a case study summarising their experience with an innovative strategy they have used to improve the governance, sustainability and/or funding of an NGO. In developing the case study, subscribers were asked to describe the operation and structure of the organisation, the context in which it operated, the issues that the organisation was experiencing, the strategy that was implemented, and outcomes associated with the change.

The response rate to the call for submissions was very low (n = 1). Rather than pursue this avenue of data collection by repeated calls for submissions, a more targeted approach was employed. This involved personalised requests to individuals from specific NGOs for information on the sustainability, governance or funding issues they have faced, and information on how they have managed these issues. These individuals/NGOs were identified by the Advisory Committee as examples of NGOs engaging in innovation to improve sustainability in the current context. The material was written up as ‘case studies’ to provide readers with some local examples of the sorts of issues being faced and how some organisations are dealing with them. Material provided by the NGOs was edited to ensure a common format. Otherwise, the case studies provide a form of ‘voices from the field’. Case studies are presented from the following six NGOs:

- Blacktown Alcohol and other Drugs Family Services, New South Wales
- Drug and Alcohol Multicultural Education Centre, New South Wales
- Gold Coast Drug Council, Queensland
- Lyndon Community, New South Wales
- Phoebe House, New South Wales
- Odyssey House McGrath Foundation, Victoria.

Finally, drafts of this report were distributed to a selection of experts and ANCD members for comment and discussion. Comments from these sources have been incorporated into ‘findings from key informants’.
### 5.2 Key informants

**New South Wales NGO sector (n = 8)**

<table>
<thead>
<tr>
<th>Key informant</th>
<th>Organisation</th>
</tr>
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<tbody>
<tr>
<td>Gerard Byrne</td>
<td>Salvation Army</td>
</tr>
<tr>
<td>John Casey</td>
<td>Charles Sturt University</td>
</tr>
<tr>
<td>Linda Goldspink-Lord</td>
<td>Youth Solutions</td>
</tr>
<tr>
<td>Janice Jones</td>
<td>Australasian Therapeutic Communities Association</td>
</tr>
<tr>
<td>John Landau</td>
<td>Nonprofit Australia</td>
</tr>
<tr>
<td>Tanya Merinda</td>
<td>New South Wales Network of Alcohol and Drug Agencies</td>
</tr>
<tr>
<td>Gary Moore</td>
<td>Marrickville Council (previously New South Wales Council of Social Service)</td>
</tr>
<tr>
<td>Tony Trimingham</td>
<td>Family Drug Support</td>
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**New South Wales funding bodies (n = 4)**

<table>
<thead>
<tr>
<th>Key informant</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anton Poder</td>
<td>Attorney General’s Department</td>
</tr>
<tr>
<td>Jamie Prell</td>
<td>Mallesons Stephen Jaques</td>
</tr>
<tr>
<td>Chris Shipway</td>
<td>NSW Health</td>
</tr>
<tr>
<td>Deb Ward</td>
<td>Australian Government Department of Health and Ageing</td>
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**Northern Territory NGO sector (n = 7)**

<table>
<thead>
<tr>
<th>Key informant</th>
<th>Organisation</th>
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<tbody>
<tr>
<td>Rob Curry</td>
<td>Aboriginal Medical Services Alliance of the Northern Territory</td>
</tr>
<tr>
<td>Bernie Dwyer</td>
<td>Amity Community Services</td>
</tr>
<tr>
<td>Kim Gates</td>
<td>Council for Aboriginal Alcohol Program Services</td>
</tr>
<tr>
<td>Jane Lloyd</td>
<td>Centacare Northern Territory</td>
</tr>
<tr>
<td>Wendy Morton</td>
<td>Northern Territory Council of Social Service</td>
</tr>
<tr>
<td>Marilyn Starr</td>
<td>Northern Territory Mental Health Coalition</td>
</tr>
<tr>
<td>Geneen Wright</td>
<td>Salvation Army</td>
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</table>
Northern Territory funding bodies (n = 7)

<table>
<thead>
<tr>
<th>Key informant</th>
<th>Organisation</th>
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<tbody>
<tr>
<td>Joan Cruse</td>
<td>Australian Government Department of Health and Ageing</td>
</tr>
<tr>
<td>Lori Ford</td>
<td>Australian Government Department of Health and Ageing</td>
</tr>
<tr>
<td>Jill McAndrew</td>
<td>Northern Territory Department of Health and Community Services</td>
</tr>
<tr>
<td>Justin O’Brien</td>
<td>Northern Territory Department of the Chief Minister</td>
</tr>
<tr>
<td>Jennie Renfree</td>
<td>Juvenile Diversion Division of Northern Territory Police, Fire and Emergency Services</td>
</tr>
<tr>
<td>Joanne Townsend</td>
<td>Northern Territory Department of Health and Community Services</td>
</tr>
<tr>
<td>Rachel Van Oosten</td>
<td>Office for Aboriginal and Torres Strait Islander Health</td>
</tr>
</tbody>
</table>

Victorian NGO sector (n = 8)

<table>
<thead>
<tr>
<th>Key informant</th>
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</thead>
<tbody>
<tr>
<td>Sam Biondo</td>
<td>Victorian Alcohol and Drug Association</td>
</tr>
<tr>
<td>Donna Bull</td>
<td>Alcohol and other Drugs Council of Australia</td>
</tr>
<tr>
<td>Stefan Gruenert</td>
<td>Odyssey House</td>
</tr>
<tr>
<td>Deb Homburg</td>
<td>Buoyancy</td>
</tr>
<tr>
<td>Barb Kelly</td>
<td>Eastern Health Alcohol and Drug Service</td>
</tr>
<tr>
<td>David Murray</td>
<td>Youth Substance Abuse Service</td>
</tr>
<tr>
<td>Geoff Soma</td>
<td>Western Region Alcohol and Drug Centre</td>
</tr>
<tr>
<td>Joan Staples</td>
<td>University of New South Wales</td>
</tr>
</tbody>
</table>

Victorian funding bodies (n = 6)

<table>
<thead>
<tr>
<th>Key informant</th>
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</thead>
<tbody>
<tr>
<td>Sylvia Geddes</td>
<td>R.E. Ross Trust</td>
</tr>
<tr>
<td>Amelie Hunter</td>
<td>Victoria Police</td>
</tr>
<tr>
<td>Steve James</td>
<td>Victoria Police, Drug and Alcohol Strategy Policy</td>
</tr>
<tr>
<td>Jonathan Kaplan</td>
<td>Victorian Department of Justice</td>
</tr>
<tr>
<td>Paul Smith</td>
<td>Victorian Department of Human Services</td>
</tr>
<tr>
<td>Wendy Steendam</td>
<td>Victoria Police</td>
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</tbody>
</table>
5.3 Guide for consultations

For the purpose of this study, the research team understands the key terms as follows:

NGO: non-government organisation

AOD: alcohol and other drugs

governance: the processes and structures that an organisation uses to direct and manage its general operations and program activities, or the structures, functions (responsibilities), processes (practices) and organisational traditions that the board of an organisation uses to ensure accomplishment of the organisational mission. The processes and structures determine how power is exercised, how decisions are taken, how stakeholders have their say, and how decision makers are held to account

sustainability: the capacity of an organisation to operate in the long term pursuing its own declared aims/objectives and maintaining its own culture while servicing its own endowment

funding: financial resources provided to make a project possible. Funding can be provided by the government, business or philanthropic sectors, or accrued consequent to fundraising efforts. Funding provided to NGOs can be attached to particular conditions to which they must adhere. These might relate to how the funds are used, the timeframe in which they must be used, and accountability mechanisms.

Problems/issues

1. What problems or issues are you currently experiencing or aware of in relation to governance, sustainability and/or funding of NGOs?

2. Describe the problems or issues that you think are specific to the AOD sector.

3. Describe the problems or issues that you think are specific to the Australian or State/Territory context.

Drivers / contributors / contextual factors

4. What causes or contributes to these problems?

5. What minimises the impact of these problems?

6. What features of your industry, your organisation or your environment influence the problems, for instance:

   a. for NGOs: the size of your organisation, the location of your organisation, qualifications and experience of staff, type of service (AOD-specific or one that has a broader focus)

   b. for funding bodies: policies of your organisation, your jurisdiction, the type of funding scheme.

7. Describe the drivers or contextual factors that you think are specific to the AOD sector.

8. Describe the drivers or contextual factors that you think are specific to the Australian or State/Territory context.
**Strategies**

9. What strategies have you used to address the issues you have identified?

10. What worked and why do you think this worked?

11. What did not work and why do you think this did not work?

12.Describe other strategies that you have heard of that worked (e.g. who or which organisations were involved; what worked and why this worked; what did not work and why this did not work).

13. Describe what else might help to improve the governance, sustainability or funding of NGOs in the AOD sector.
   a. How might it help?
   b. Which factors are unique to the AOD sector that might influence the effectiveness of the strategy?
   c. Which factors are unique to the Australian or State/Territory context that might influence the effectiveness of the strategy?

**Comments**

14. What other comments would you like to contribute to this project?

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**5.4 Biographies of key informants**

Consultants were asked to provide information about the background they brought to the discussions. Provision of this information was voluntary and not all participants did so. Information that was provided is reproduced below.

**New South Wales non-government sector**

**Linda Goldspink-Lord, Chief Executive Officer, Youth Solutions**

Linda has been employed in the non-government sector in a management capacity for over 18 years. This includes experience in the development and implementation of drug prevention policy. Linda has also been a board member of State and national peak bodies. She has been a strong advocate for prevention and the role of NGOs in the delivery of prevention services.

**Janice Jones, Executive Officer, Australasian Therapeutic Communities Association**

The Australasian Therapeutic Communities Association (ATCA) is the peak body representing the interests of the therapeutic community approach to alcohol and drug treatment and rehabilitation programs across Australia and New Zealand. ATCA’s members operate 40 residential therapeutic communities providing treatment to over 3000 drug- and alcohol-addicted people annually, as well as providing support to families affected by alcohol and drug abuse.
John Landau, Project Manager, Nonprofit Australia

John joined Nonprofit Australia after working for over 20 years as a senior executive in the federal and New South Wales governments and the NGO sector. His previous roles have included Director, Policy and Planning, Office of State Revenue, and as a national program manager in the Australian Taxation Office in Canberra. His most recent executive role has been as Chief Executive Officer of the Royal Blind Society of New South Wales where he played a key role in achieving the merger of that organisation with two other large agencies to create Vision Australia — a single national blindness organisation. John is also a board member of a number of government bodies and NGOs and chairs several government agency audit committees.

Tanya Merinda, Program Manager, New South Wales Network of Alcohol and Drug Agencies

Tanya has 13 years of professional experience in the AOD sector, with both government departments and NGOs. During this time, she has assumed a variety of roles including service delivery, service management, project management and policy development.

New South Wales funding sector

Deborah Ward, Manager, Population Health, Health Services Development Branch, Australian Government Department of Health and Ageing, New South Wales Office

Deborah has a 25-year career in the public service at both the State and federal levels. This includes eight years of experience at the Australian Government Department of Health and Ageing in managing funding agreements with NGOs and State government bodies in the AOD and mental health fields; the management of funding rounds; and liaising with central offices concerning policy development. She also has experience within NSW Health in project management and within the hospital setting as an allied health professional.

Victorian non-government sector

Geoff Soma, Director, Western Region Alcohol and Drug Centre

Geoff has worked in a variety of management roles in Australia and New Zealand for over 20 years. His experience covers long-term, day and outpatient drug treatment programs.

Joan Staples, Visiting Fellow, Faculty of Law, University of New South Wales

Joan has published and researched on the role of NGOs in the democratic process, focusing mainly on NGO–government relations. She also has a background working widely across the NGO sector in policy and advocacy, and in Indigenous health.
Victorian funding sector

Amelie Hunter, Research Officer, Crime Strategy Group, Victoria Police

Amelie has undertaken research and analysis contributing to the development of the organisation’s illicit drug strategy.

Steve James, Manager, Drug and Alcohol Strategy Unit, Victoria Police

Steve has 32 years of experience within Victoria Police. During this time, he has held the position of Senior Police Drug and Alcohol Policy Advisor to the Victorian and national governments; he has held the position of Chair of the National Police Drug and Alcohol Coordinating Committee; and he has been involved in the development and coordination of the drug and alcohol strategy.

Wendy Steendam, Detective Superintendent, Crime Department, Victoria Police

Wendy manages the development of Victoria Police’s Illicit Drug Strategy. She is also the Victoria Police representative on the Interdepartmental Committee on Drugs (ICD – Victoria) and the Intergovernmental Committee on Drugs (national).

Northern Territory non-government sector

No details received.

5.5 Email survey

ANCD Project: Sustainability, Governance and Funding of Non-Government Organisations in the Alcohol and Other Drugs Sector

Interested in the sustainability, governance and/or funding of NGOs in the alcohol and other drugs sector? If so, we’d like to invite you to contribute to an important study to identify future options for the sector.

The Social Policy Research Centre at the University of New South Wales was commissioned by the Australian National Council on Drugs (ANCD) to investigate the implications of the current context of sustainability, governance and funding of Australian non-government organisations (NGOs) in the alcohol and other drug (AOD) sector and explore future options to effectively operate under a range of service delivery models. The issues identified by the ANCD include:

- increased competition between NGOs for limited government and philanthropic funding
- increased emphasis on effective management of services and less emphasis on values and responsiveness
- increased expectations in terms of accountability, evaluation and organisational performance
- increased competition for skilled managers and other staff able to operate within the not-for-profit sector
- the evolution of larger scale consortia-based funding built on collaborative partnerships
• increased transference of risk management to NGOs from government, and
• the historic and the evolving roles of small and small-to-medium organisations in the AOD sector.

As part of this study, we have reviewed the literature and conducted consultations with key informants in New South Wales, Victoria and the Northern Territory. An outline of issues and options examined to date can be found at:


To extend the consultation, we would like to invite you to participate.

What is involved?

We would like you to respond to all or any of the following questions:

1. Considering the issues outlined at the suggested website, how is the situation different for:
   a. NGOs in your local area within Australia?
   b. NGOs in Australia, relative to overseas?

2. Do you have any experience, either positive or negative, with using innovative strategies to improve the governance, sustainability and/or funding of an NGO? If so, we would like to help others learn from this experience by developing a case study. To assist us with the process, please summarise your experience, in which you might like to include:
   a. the name and location of the organisation
   b. the services it provides
   c. its main clientele
   d. its structure and operation (for instance, how is it managed; are there many staff members; is administrative support available?)
   e. the context in which it operates (for instance, is it isolated from other services; is it supported well by the local community?)
   f. the sustainability, governance or funding problem(s) that the organisation was facing
   g. the innovative strategy that was attempted to address this problem
   h. how the strategy was implemented, and/or
   i. the outcomes associated with the change.

3. Are there publications that you would recommend we incorporate into our literature review?

Please forward your responses to us via email by Tuesday 5 June 2007

Please send your responses to Dr Catherine Spooner, via c.spooner@unsw.edu.au

We hope that you take this opportunity to participate in this important project. If you have any queries or would like further information, please feel free to contact Dr Catherine Spooner.

Regards,
Dr Catherine Spooner

Voice: +61 (2) 9385 7816
Email: c.spooner@unsw.edu.au
5.6 Case studies

A number of NGOs provided material that was suitable for presentation as a case study in this report. These case studies are summarised in the following section, using a consistent structure to ease readability but maintaining original wording as much as possible. For additional case studies, interested readers are referred to the literature (Acheson & Williamson, 2007; Gill, 2001b; Hunt & Smith, 2007; Kleiman & Rosenbaum, 2007; Landau, 2006; Pietroburgo & Bush, 2006; Ramiah & Reich, 2006).

Collectively, these case studies highlight a number of key lessons. Firstly, each faced a combination of issues that reflects the literature review and consultations reported above. Each engaged in a suite of responses that evolved over time, rather than relying on an immediate or a single strategy. Also important are internal and external relationships in dealing with issues of governance, sustainability and funding. More specifically, solutions are not simply about textbook strategies, but are akin to action research principles in which issues and strategies are identified and action taken collaboratively (Wadsworth, 1998). This is a process that takes time, commitment, a willingness to appreciate other perspectives and agendas, diplomacy and patience. Furthermore, a ‘can-do’ attitude is required – in identifying a problem, these organisations took action to change it.

5.6.1 Blacktown Alcohol and other Drugs Family Services

Organisational aim

To work with individuals, families, groups, communities and organisations to address AOD issues in the Blacktown Local Government Area. For further information, see:

http://www.bridges.org.au

Clientele

Communities, families and individuals

Services

Individual, couple and family counselling; telephone counselling; information; educational groups; therapeutic groups; outreach counselling and groups; community development activities; and the coordination of the Bridges Strategy

Issues experienced

Core funding for the organisation is received from two government departments. While this opens two opportunities to address identified needs, it also implies that there are two relationships that need to be maintained, and two sets of administrative processes to negotiate.

The core funding supports less than two full-time equivalent workers. This is inadequate for the work that is required. Also, because annual funding increments do not meet increased costs, staff members seldom know if the hours of operation will be reduced. This in turn influences staff retention rates. While additional funding has been sought to address the problem, this would require additional administration which the organisation does not have the resources to support.
This situation was exemplified in 1999 when a staff member resigned due to poor employment conditions and the constant threat that hours of employment would be reduced. The organisation became very vulnerable as another worker was on leave without pay, leaving me (the coordinator) as the only remaining staff member. Consequently, I was under immense pressure to increase service provision, for fear the organisation would be defunded. However, I resisted this pressure as I was aware of the need for systemic organisational change that would bolster its sustainability.

I was also cognisant that NGOs of similar (small) size were confronted by similar issues. Finding leverage in this, I negotiated to close the service and bring stakeholders together, including government representatives, to review the role of the organisation and its future. This process involved changing pre-conceived biases against government officials. On reflection, this meeting was a turning point for the organisation; relationships were formed that helped to sustain its efforts in the long term.

Despite the value of strong working alliances between government bodies and NGOs, funding is also needed. However, relative to large agencies that are associated with organisational success and efficiency, small NGOs are generally undervalued. Despite the national issues they often contend with, seldom are their efforts adequately supported.

For instance, coordination and administration activities are not recognised. Funding bodies request that we report on direct services with little emphasis on organisational and inter-organisational development and advocacy. Yet these roles keep the organisation together, support the development of cooperative links and give voice to the issues. Much of my work supports the development of trusting, cooperative relationships and addresses common goals — not just those of the organisation.

Sometimes it all feels too much and I think maybe we need to be brought under the auspices of a large organisation. However, this might alter the services provided. Furthermore, there is something special about working in a small NGO — it is flexible and autonomous, and there is freedom to be creative to affect local and ‘big picture’ issues.

Management strategies

Recognition of the problems confronting the service, and of the value of small NGOs, led me to raise the issues with key people at various meetings and conferences. I was also aware that there is safety in numbers — it was safer to raise the problems as part of a larger problem that needed to be challenged.

This process led to the establishment of a coalition of small organisations from various fields, all of which share similar issues that have found strength in a collective. The role of this coalition is to raise awareness of the value of small NGOs and the need for strategies to support their survival and development. Such awareness is being raised at local, regional and national levels.

Results

As an active participant of this coalition, I have gained hope and strength from working with others to challenge the small-versus-large culture and maintain decision-making processes at the grassroots level, particularly in a society that is increasingly motivated by profit. Just as many of our clients need a voice to survive, so too do NGOs.
Lessons learnt

Consequent to my active participation in this coalition, and my raised profile, I am often consulted and invited onto committees with senior government representatives and academics. This is explicit recognition of the value of small NGOs and their role in influencing ‘big picture’ issues. While it can be difficult for small agencies to find time and resources to attend such meetings, the potential benefits cannot be ignored.

5.6.2 Drug and Alcohol Multicultural Education Centre

Organisational aim

To reduce the harm associated with the use of AOD within culturally and linguistically diverse (CALD) communities in New South Wales. For further information, see:


Clientele

Services and communities

Services

Training for health professionals; research to identify the AOD attitudes, knowledge, usage patterns and service needs of target CALD communities; the production and dissemination of publications; information provision; short-term project work; and consultancy and advice for AOD service providers

Issues experienced

There have been two key issues that have influenced the sustainability, governance and funding of the service. The first involves relations with the government funding body. The service was previously administered by an area health service (AHS). Although funds were allocated to the service by the Minister’s office, there was still tension with the AHS administration whose priorities seemed to differ from those of the organisation. Despite the State-wide focus of the organisation, the AHS wanted the service to focus its activities within its locale. It also wanted the organisation to reduce its work around AOD prevention, and increase its treatment services. The differing interests of the organisation and its funding body were sometimes a source of tension.

Second was the issue of limited funding. Under a NSW Health budget, the core grant would not increase. The service therefore needed to diversify its funding base.

Management strategies

To effectively address these issues, the organisation strategically positioned itself with central government administration. This enabled it to influence policy and develop an agenda for change.

The service also identified a treatment service with similar aims and policy objectives, and actively developed a closer alliance with the service. Through this process, it became evident that both services could benefit by merging. This was negotiated with the government funding body and the AOD peak body, and given as a completed task to the AHS.

Results

Following efforts to strategically align itself with a government body, the organisation is now represented on the New South Wales Alcohol and other Drugs Council and has negotiated central administration. This has alleviated the burden of area administration and manipulation. Additionally, the merging of the organisation with a treatment service is expected to enhance the sustainability, governance and funding of both.
Lessons learnt

It is important to have a State-wide administration of core funds to standardise policy frameworks and alleviate local tensions. It is also important to recognise that some core funds must be committed and ongoing to allow the diversification of funding sources. The service has a range of federal- and State-funded projects that were only possible through a solid core of administrative support.

5.6.3 Gold Coast Drug Council

Organisational aim

To provide high-quality treatment services for young people who are experiencing significant problems related to the misuse of drugs and alcohol, and co-existing mental health problems. For further information, see:

http://www.gcdrugcouncil.org.au

Clientele

People affected by drug-abuse problems, especially those with co-existing mental health issues

Services

A residential rehabilitation service that specialises in care for young people, aged 18–29 years, who experience a dual diagnosis; supported accommodation; outpatient programs including counselling; a family-support program; a youth arts program; services for drug-court clients; a personal support program for clients referred by Centrelink; services for clients referred by the Queensland Illicit Drug Diversion unit; and supervised urinary testing

Issues experienced

The underfunding of services, particularly the residential program. Consequently this led to:

- minimal funding increases to cover the Consumer Price Index and other cost increases including insurance, vehicle use, salaries to recruit and retain staff, as well as professional development
- limited contingency planning for emergency situations or capital infrastructure for service expansion
- high turnover among staff who experience burnout, largely because of the limited availability of casual staff when staff are on leave, and
- the limited availability of financial support for administration, contract management, data collection and quality improvement.

Management strategies

- The use of volunteers to provide administrative services and fill shiftwork vacancies
- Strategic planning to:
  - strengthen the reputation of the organisation with funding bodies
  - tailor services specifically to people with complex needs, like dual diagnosis, because of the increased funding levels associated with these needs. This funding in turn subsidises other shortfalls, and
  - identify areas of service provision that can share costs associated with management and infrastructure
• Raise the profile of the organisation through:
  • increased presence at and activity in local community development forums  
  • continued government lobbying  
  • collaborating with academic institutions, which has opened student placement opportunities as well as research projects to support service delivery at no additional cost  
• The allocation of money raised through fundraising to develop capital infrastructure, and  
• The expansion of the existing site to avoid costly lease arrangements off-site.

**Lessons learnt**

While the aforementioned strategies have eased the issues experienced by the organisation, they are largely unsustainable in the long term. Increased funding is required to adequately remunerate staff; operate the service at an optimal level; provide staff with professional development; ensure occupational health and safety; and collect and manage data.

### 5.6.4 Lyndon Community

**Organisational aim**

To provide accessible, high-quality services to address the needs of western New South Wales residents affected by the use of alcohol and other drugs. For further information, see:

http://www.lyndoncommunity.org.au/

**Clientele**

Individuals and couples over 18 years of age

**Services**

A continuum of care from initial assessment to residential medicated detoxification and withdrawal; short-term extended care; discharge planning and after-care; long-term residential rehabilitation based on a therapeutic community model; and an outreach program that services smaller communities within western New South Wales

**Issues experienced**

The environment in which the service is situated is compounded by ongoing change. This includes the restructuring of Area Health Services (AHSs), changes in policy direction within federal and State governments, increased requirements for compliance and accountability, lack of coherence in acquittal and reporting requirements, and the need for NGOs to emulate corporate businesses and become more entrepreneurial.

Further to this is the difficulty associated with government–NGO relationships. While there is increasing pressure to work closely with local AHSs, the NGO is simultaneously...
held to ransom by government bureaucracy. Grant payments are often late, withheld or incorrect. Additionally, while the NGO is expected to maintain comprehensive and complex financial management systems to decipher, account for and acquit funding from multiple sources, these standards do not equally apply to the departments that administer the funding. For instance, the local AHS has five tiers of management, which implicates time-consuming bureaucracy and an inherent margin for error.

An additional issue is the unmet operation cost of the service. Government funding does not support all aspects of service delivery including residential detoxification and rehabilitation. This is despite bed day-cost benchmarks established by government bodies. Further to this are the increased costs associated with contract compliance and salaries. To ensure the survivability of the service, client contributions are utilised.

While the external environment is a challenge to negotiate, so too is the internal environment of the service. The recent growth of the service was not matched by an increase in administrative capacity and infrastructure. This was partly because of competing priorities and a lack of transparency around decision-making processes.

The role fulfilled by the board was also problematic. Rather than govern the service, a number of board members were involved in micro-management, including human resources and finance matters. This was partly attributed to ill-defined roles and responsibilities for both the board and senior staff. Consequently, turnover within the board was high.

The challenge is to recruit board members with specific skills who appreciate their role, despite its voluntary nature. Yet this can be difficult when the service is located in a rural area.

The additional challenge is to ensure role clarity between the board and the executive officer of the service. It is tempting for the executive officer to simply manage everything and tell voluntary board members only the information they need to know. However, this places the governance and management of the organisation at considerable risk.

The recruitment and retention of skilled staff can also provide difficulties. The inability to offer competitive salary packages that compare favourably with the public and private sectors reduces the capacity of the organisation to recruit and retain skilled staff, particularly managerial and senior clinical staff. Moreover, there are few external training opportunities relevant to the workforce development of staff. Consequently, staff members rely on internal training as well as opportunities afforded by peak bodies.

Management strategies

A service development review was a useful tool that helped to identify priorities as well as strategies to address these accordingly. It also provided direction, ensuring that an achievable annual plan could be developed. More specifically, recommendations are analysed in a matrix that compares the impact to the organisation with the organisation’s capacity to influence the issue. Where impact and capacity are high, there is accordingly a high priority attached to the issue. It is possible through this process to plan strategically to deal with issues that require a
more comprehensive response or the support of additional resources or funding to achieve a result.

Overseeing this has been the task of the organisation’s Quality Improvement Committee. While senior staff members drive the process, board members direct it and are responsible for governance. Briefings on significant issues, such as board development, industrial relations and human resources, are provided to the board for discussion and the opportunity to respond. This process has helped to clarify the role of the board, shifting it from an operational role to a strategic and policy role.

**Results**

Admittedly, it has taken some time to generate enthusiasm and momentum. Yet it is important to regard this exercise as a quality process and that commitment needs to be ongoing, documented, resourced and embedded in policy. At a practical level, this has been difficult due to limited resources and time. However, the temptation to ‘tick the box’ is tempered by an improved understanding by the organisation that this has to be a continuous process, rather than a huge effort at accreditation time to pass the test.

**Lessons learnt**

The integrity of the governance structure and understanding the strategic direction of the organisation are critical to ensure continuity in a difficult external environment. While it is tempting to pursue funding for different purposes and from different sources, it is important to match funding opportunities with core business and to assess whether the funding schemes correspond with the strategic direction and organisational aim. This process can be supported by peak bodies; however, it is important to understand their activities and strategic direction.

It is equally important to develop meaningful partnerships with other services. These include primary care, health promotion and Aboriginal services outside the AOD sector. Such partnerships allow for peer support and shared training opportunities.

The lesson for funding bodies is that metropolitan models of service delivery cannot be readily transferred to rural and remote areas. Further to this, there is a need for federal and State government bodies to coordinate their efforts, lest they be duplicated.

In a political environment that can be challenging for NGOs, good governance is pivotal. It has the potential to ensure effective risk management strategies to deal with compliance and financial risks in the event of serious disruptions to funding.
5.6.5 Phoebe House

Organisational aim

To assist women to develop their personal resources and enable themselves to enhance their lifestyles and interpersonal relationships. For further information, see:

http://www.phoebehouse.org.au/

Clientele

Women who are currently on a program of methadone maintenance and their children

Services

A residential treatment service based on a therapeutic program, which provides therapeutic groups, counselling, education and support around AOD issues and social, material and personal wellbeing for women and their children

Issues experienced

Underfunding of the service was the key concern, particularly because the funding of residential services is determined by the number of adult beds, not child beds. While funding increments have supported increases in the Consumer Price Index, they have not supported salary rises or service maintenance costs. Consequently, staff members were not remunerated accordingly, staff with specific professional qualifications could not be employed, and the furnishings provided to clients were in disrepair.

Management strategies

Recognising the extent of support provided to clients’ children, a case was made to the government funding body for additional funds. Following extensive negotiation, some funds are now provided for childcare and additional support provided to children.

The organisation also embarked on an accreditation process. Although costly and labour-intensive, accreditation opened new funding opportunities. For instance, on behalf on a State government funding body, a peak body brokered infrastructure funding that could be allocated only to accredited services. With the support of the peak body, which helped to strengthen the funding submission, the organisation was able to attract funds that were used to refurbish the residential settings.

Funds were also sourced from an entrepreneurial initiative. Through the course of its work with clients and their children, the organisation is often required to provide reports to the criminal and children’s courts. The preparation of these documents can consume a lot of time and resources. For this reason, akin to government departments, the organisation now charges for these reports. These charges help to support the operation of the service.

While additional funding has helped to resource the organisation, so too have interagency partnerships. Some of the clients supported by the organisation experience a myriad of health issues. Although the organisation does not have the capacity to address these directly, it works closely with specialised services to ensure that client needs are met. These include a sexual health unit, a women’s health clinic and a dental service specifically for people on a methadone-maintenance program.
5.6.6 Odyssey House McGrath Foundation

Organisational aim
To provide a safe and supportive environment that encourages individuals with alcohol, other drugs and related problems towards healthy and fulfilling lives. For further information, see:

Clientele
Adult substance misusers

Services
An assessment and induction centre; an assessment and referral centre; a withdrawal unit; a medium- to long-term rehabilitation facility; a parents’ and children’s program; an education unit; an after-care program; and outpatient counselling services

Issues experienced
- A lack of diversity among the program services
- A ‘tired’ board made up of many people who had been on it too long and had lost interest
- Limited funding streams, and
- An over-reliance on government funding.

Management strategies
- A concerted effort, after speaking to the board, of upgrading the organisation to make it more attractive to service users
- Recruitment of a number of new board members who had the ability to introduce the chief executive to business leaders
- The adoption of a fundraising and marketing strategy that raised the profile of the organisation and enabled us to put forth a strong case for business leaders to support our efforts
- The identification of a corporate ‘champion’ who enhanced our fundraising capacity
- The addition of a withdrawal service, an after-care service, and a family counselling service, as well as the expansion of the parents’ and children’s program to include families living in the community, and
- The construction of new facilities and the renovation of existing ones, most of which was financed through private fundraising.

Results
- Increased diversity among the program services, which enables the organisation to offer points of entry and exit to the service, according to client needs, and
- State-of-the-art facilities.

Lessons learnt
- Diversify funding sources to allow for innovation in service delivery.
- Develop a strategic plan that the board and staff are willing to support and market to others.
- Utilise all opportunities to raise the profile of the organisation and market its services.
6. References


