Evaluation of the Sustainable Funding and Contracting Initiative
and associated procurement reforms – 2014 Evaluation

Overview

Context

- The 2014 evaluation is the third annual study\(^1\). The intention is to evaluate the impact of the Initiative and procurement reforms annually for five years and the evaluation is of both the Not-for-profit Sector and relevant government agencies that contract with it.

- In 2014, there were 437 NFPs surveyed - the original sample minus those that have closed or are no longer contracted. The total response was 151 of which 138 completed the whole questionnaire. The 2012 survey achieved 181 completions and 2013 survey 167 completions.

- Data from the Australian Charities and Not-for-profits Commission (ACNC) was embedded into the survey to prepopulate some fields, and to enable comparison and further analysis.

- Thirteen WA government agencies were surveyed. These agencies are responsible for managing 99% of government contracting with the NFP sector.

Key findings

- For the 2014-15 year, there are 529 NFP organisations with 1,586 service agreements with the WA Government for the provision of community services\(^2\). The total estimated value of this contracting was $1,429m.

- The state government funded NFP community services sector is a significant component of the Western Australian economy. Based on the data from this study, funded organisations are estimated to employ over 11,000 staff, receive support from over 8,000 volunteers and have an income of over $2bn per year.

- The majority of NFPs are small. 60% have an annual income of less than $2m, and a third have income of less than $500,000 a year.

- There has been improvement across nearly all aspects of workforce management, including a reduction in vacancies and improvement in staff retention and satisfaction. This could be attributed to changes in the WA economy as well as the SFCNFP Initiative.

- The proportion of NFPs that believe that the DCSP is having a positive impact on services quality, quantity, accessibility and range has increased. However, the majority (60% to 65%) still believe that there has been no change to services or that they cannot tell if services have improved.

- The sector and agencies continue to have a very positive attitude toward the SFNFP Initiative and the DCSP Policy. The proportion of agreements reported to be compliant with DCSP Policy requirements has increased from 27% in 2013 to 66% in 2014.

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\(^2\) This data was provided to Curtin by the Department of Treasury, not collected as part of this study.
The administrative burden has reduced slightly but is still high. NFPs and agencies are still struggling with contracting for outcomes and this is likely to continue due to the nature of the services commissioned.

The collective impact of the SFCNFP Initiative and the DCSP Policy on the NFP sector is not uniform. The smaller NFP organisations have lower growth rates, are less likely to be investing and are less confident in their current and future capacity. This suggests a potential decline in the number of smaller organisations in the medium to long term. There are also pressures on the smaller providers due to changes in Commonwealth procurement policy.

Recommendations

As the major buyer of services, WA government policy will shape the market structure especially given the WA government is a monopsonist. The Partnership Forum (working with government agencies) has an opportunity to actively manage the portfolio of WA’s NFP suppliers to support strong markets and reduce long-run budget and supply risk. We recommend the Partnership Forum pursue an active response.

We recommend the Partnership Forum and government distribute and discuss the findings of this report widely to demonstrate response and to encourage future participation.

With on-going longitudinal research, the value of the data assets will grow exponentially. We recommend the Partnership Forum give consideration to using the survey and other data to form a single database (at individual NFP level) that can be used to monitor the state of the WA NFP sector in regard to sustainability, growth, service range and supply. This dataset would enable accurate sector evaluation and provide the basis for the development of evidence-based policy and risk management, both at an aggregate level for the state and for individual agencies and services. It would also support cross-service collaboration.