Queensland Government Submission to the Productivity Commission study into the Contribution of the Not for Profit Sector to Australia

CONTENTS

1. Introduction

The Productivity Commission review into the contribution of the not for profit sector is timely as there are a number of opportunities and challenges in the current policy and service delivery environment. There is growing recognition of the significance, role and contribution this sector makes to the Australian community and to our way of life.

The Queensland Government is interested in strategies to build the not for profit sector's sustainability so it can continue to play its significant role in contributing to social inclusion, the Queensland economy through employment and to volunteering, as well as fostering innovation and creativity. Many organisations also deliver significant services for vulnerable and disadvantaged people. A range of Queensland Government reforms aimed to improve the policy, program and operating environment for the not for profit sector have been introduced and they are outlined in this submission.

1.1. Context

In Queensland, there are now approximately 20,000 registered associations under the *Associations Incorporation Act 1981*. They range from small, locally based organisations comprised entirely of volunteers to licensed clubs staffed by professional managers with multimillion dollar annual financial turnovers. A number of other non-government organisations operate under other legislation. A recent decision by the Queensland Industrial Relation Commission noted that as at 2006 there were approximately 2000 community services organisations in Queensland employing more than 20,000 people.

The Queensland Government plays a key role in funding, regulating and working together with not for profit organisations operating in Queensland.

The Queensland Government's investment in the not for profit sector grew by 40% between 2003/04 and 2007/08. There is increased service delivery by the sector to higher risk, vulnerable and disadvantaged clients. Each year many non-profit organisations receive funding through the Queensland Government in the form of a grant or subsidy. (The terms 'grant' and 'subsidy' within a Queensland Government budget context are often used interchangeably, and can encompass gifts, investments, purchase of services and subsidies to individuals or other entities.)

In 2008-09 the Queensland Government provided $1.067 billion for grants and $163M in capital grants to not for profit organisations[1]. The Departments of Communities, Health, Community Safety, Education and Training, Justice and Attorney-General and Employment and Industrial Relations and Arts Queensland are the primary Queensland Government funders of the non-government sector. Funding amounts can be significant with a number of large organisations now receiving in excess of $100M per year from the Department of Communities alone.

Queensland Government funding is predominantly provided to support the delivery of human services which are defined as: *services that support, assist or enhance the health, wellbeing and participation of Queenslanders.* Human services may be universal in nature and accessible to whole communities, or highly targeted to meet the specific needs of groups or individuals within communities. They may be primarily

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[1] Queensland Budget Strategy and Outlook 2008-09, Budget Paper No.2, p106

preventative or remedial in nature. Human service delivery differs from some other forms of government service delivery in that it involves the provision of *assistance* to people to meet identified needs[2].

Laws administered by the Queensland Government enable the establishment of not for profit organisations through incorporation, promote the transparency of fundraising activities, and ensure that standards of service delivery and public safety are maintained.

Legislation has been modernised, with the development and implementation of the *Housing Act 2003*, *Disability Services Act 2006* and *Community Services Act 2007*. Within the arts sector, the Government reformed its approach to funding small to medium arts organisations resulting in sector renewal and strategic investment of funds where they would make the most difference – in arts organisations that are improving artistic quality, growing audiences, breaking new ground, securing new partnerships and diversifying their revenue streams. *The Associations Incorporation Act 1981* was also amended in 2007 to both improve and simplify auditing and reporting requirements and address public liability issues.

This work has created an environment within which a series of reforms and innovative models have been introduced since 2005, including programs such as Strengthening Non-Government Organisations, Blueprint for the Bush, Artsupport and One Social Housing, through to the Queensland Government adopting *The Queensland Government Framework for Investment in Human Services* in 2007 and the *Queensland Compact: Towards a Fairer Queensland* in 2008.

The Queensland Government recognises that regulation is needed to ensure protections are in place for the community and environment, and that a balance must be struck to ensure such regulations benefit rather than hinder development and service delivery – whether by business or community organisations. Our focus is on best practice regulations to facilitate effective and efficient participation in Queensland's economic, social, environmental and cultural wellbeing.

Accordingly, the Queensland Government is participating in regulatory reform activities at both national and state levels. This participation is focused on removing unnecessary or excessive regulatory burdens on community, business and government, so that time and money of these stakeholders can be reinvested in more productive endeavours.

At the national level, the Queensland Government, along with other Australian jurisdictions, committed to a National Partnership Agreement to Deliver a Seamless National Economy. Under this agreement, Queensland is implementing regulatory reforms in 36 key areas to improve the efficiency and inter-jurisdictional harmonisation of the regulatory environment. These reforms will reduce costs incurred by business in complying with differing and inconsistent regulation across jurisdictions.

Included in this national reform agenda is an initial focus on the not for profit sector consisting of the development of a nationally consistent standard chart of accounts and approach to regulation of fundraising. The national sub-working group is required to submit an implementation plan by September 2009.

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[2] Queensland Government Framework for Investment in Human Services (2007). Definition based on one used by the Commonwealth.

Also at the national level, a range of partnership agreements establish reforms to regulatory, quality and registration systems. These agreements include the National Partnership Agreement on the Nation Building and Jobs Plan and the National Partnership Agreement on Early Childhood Development.

At the state level, it is expected that the not for profit sector will be a key beneficiary of the Queensland Government's Smart Regulation Reform Agenda. The Agenda establishes a regulatory environment that supports better economic, social and environmental outcomes for Queensland through an innovative five-point action plan. Under the plan, the Queensland Government has committed to an initial target of reducing the compliance burden to business (including the not for profit sector) and administrative burden to Government by $150M per annum by 2012-13.

A key initiative under the Smart Regulation Reform Agenda is the development of the Queensland Regulatory Simplification Plan, which is a phased program of reviews by agencies of their existing stock of regulation to reduce the regulatory burden on business, community and Government.

The Queensland Public Service is also undergoing significant reforms which will deliver benefits for the not for profit sector. Under the leadership of Premier Bligh, the Queensland Public Service has been streamlined from 23 stand-alone government departments to 13 amalgamated departments, which are grouped together under six clusters. These reforms, which will simplify government, reduce bureaucracy and cut red tape, are designed to deliver better coordination of services and better front-line services

Under this new model the Department of Communities now includes: Community and Youth Justice Services; Child Safety Services; Housing and Homelessness Services; Disability Services; Multicultural Affairs; Sport and Recreation Services; Aboriginal and Torres Strait Islander Services and Women's Policy. Its mission is: Services and supports that build fair, vibrant and cohesive communities.

In bringing a number of previously separate departments under the one collaborative department, it is expected that individuals and communities will benefit from an integrated experience of service provision, easier access to services, and that partnerships with the not for profit and other industries will be more clearly defined, integrated and efficient with a reduction in the need to work across many and disparate administrative processes. This reform is an exciting and significant opportunity for sector development and cooperative working to achieve the wellbeing and growth of Queensland communities.

2. Response to Terms of Reference

2.1. Assess the extent to which the not for profit sector's contributions to Australian society are currently measured, the utility of such measurements and the possible uses of such measurements in helping shape government policy and programs.

The not for profit sector delivers essential supports to a diverse range of people in our community. Services and programs range from intensive support through to broader community education, research and sector development. It is this diversity within the sector, as well as the preventative and participative nature of much of their work that makes their contribution difficult to quantify.

In order to judge the effectiveness of human services service delivery in sustaining social inclusion/reducing social exclusion, services need to be understood in terms of their position along a service continuum (see Attachments 4 and 5). This continuum captures, in summary form, the way costs and risks rise sharply if interventions focus on very high need chronic and complex clients. Equally, the continuum approach embodies Australian[3] and international[4] research which shows the extraordinary potential for savings and benefits to the Government and communities which result from shifting the focus of investment to prevention and early intervention. As 2000 Nobel laureate in economics John Heckman notes, 'The later … we attempt to repair early deficits, the costlier the remediation becomes.'[5]

As recently as 2005 the data used in planning investment, and understanding the effectiveness of that investment, was disconnected and/or of variable quality. Queensland designed a Needs Based Planning and Resource Allocation Framework (NBPRAF) which recognises the value of a whole-of-government approach to collection, collation and aggregation of high-quality data to ensure priority allocation of resources to those Queenslanders who are in most need. The NBPRAF is a coordinated set of principles, standards and processes which produce an evidence base for better matching quality services to high-priority community needs at a local level.

In 2008, analysis conducted in accordance with the NBPRAF confirmed for the Commonwealth Grants Commission that, consistent with findings by Vinson[6], high priority need was concentrated in a relatively small number of areas across Queensland. Further, it was demonstrated that just over one-half of the (then) Department of Communities recurrent funding to not for profit organisations goes to services located in high-priority need areas (as measured by ABS Index of Relative Socio-Economic Disadvantage Quintiles 1 and 2). Almost another quarter is allocated to services located in Quintile 3 areas – usually on the edge of Quintile 1 and 2 areas – for outreach or to provide prevention and early intervention targeting people 'at risk' of social exclusion. This mapping by the former Department of

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[3] Australian Research Alliance for Children and Youth, 'Inverting the pyramid: Enhancing systems for protecting children' prepared by the Allen Consulting Group, Melbourne 2009
[4] Heckman J and Masterov D, 'The Productivity Argument for Investing in Young Children', American Bar Association and University College London, July 2005
[5] Heckman J., 'Invest in the Very Young.' Ounce of Prevention Fund and the University of Chicago Harris School of Public Policy Studies, Chicago 2002
[6] Vinson T., 'Dropping Off the Edge: the distribution of social disadvantage in Australia' Jesuit Social Services / Catholic Social Services Australia, Canberra 2007

Communities indicates that the services, considered as a system or network, are distributed in a way which closely reflects the pattern of disadvantage in Queensland.

In 2007-08 complementary strategic frameworks, the Evidence-Based Policy Framework and the Needs-Based Planning Framework, were developed for Disability Services. The Needs-Based Planning Framework is modelled on the NBPRAF but has a specific focus on people with a disability. It provides a basis for the rigorous and systematic assessment of options for investing in specialist disability services. In 2009, there will be a progressive rollout of needs based planning practice across the Department of Communities' regions.

While the focus to date of the NBPRAF evidence base has been on improving recording and analysis of funded services' activities or outputs, 2010 will see that focus transfer to improving outcome measurement.

The Communities Statistical Information System (COMSIS) has also been developed as a key tool to support improved planning and analysis. COMSIS is a secure database consisting of over 250 high-quality data sets covering demographic, social and economic information linked by a consistent small area geography. From June 2009 most of the data housed in COMSIS will be available for use by not for profit organisations in the community services sector in Queensland to enable improved planning, policy and priority setting between the government and non-government sectors (consistent with priority 2.1 under the Compact Governance Committee Action Plan – outlined later in the submission).

Introduction of DStats (Disability Statistics) – a descriptive statistical information system utilising socioeconomic and demographic data as well as disability-specific data from the Commonwealth State/Territories Disability Agreement National Minimum Data Set and synthetic estimates form the Survey of Disability Ageing and Carers – should also enable greater assessment of the contribution made by the not for profit community services sector in this area.

In addition, the Department of Communities is implementing generic output measures consistent with the National Classification of Community Services for some programs. This will enable easy aggregation of relevant data and allow a comparison of like services and activities. Similar work is progressing with the ongoing implementation of the National Disability Agreement outputs in Disability Services which is expected to be completed by December 2010.

Improving Measurement: Department of Communities – Community Services and Youth Justice: Move to Generic Output Measures

The Department of Communities has streamlined performance reporting requirements for funded services in key program areas including youth, seniors, homelessness, domestic violence and family support. Historically, each program used different performance measures resulting in more than 700 measures across the department.

This approach did not provide clarity or ease of reporting for many services, particularly those funded across multiple program areas. Data returns were useful to inform the performance of individual services, but consistent information was not available for aggregation or analysis on a statewide, cross-program basis.

A set of 15 generic output measures based on the National Classification of Community Services (NCCS) has been developed in consultation with the community services sector for use across all the community services and youth development program areas. These may be supplemented by a small number of initiative-specific measures. Most services will report on less than 10 measures, where previously some services were reporting on more than twenty.

Using the NCCS allows the streamlining of output measures by focusing on primary funded activities and provides a mechanism for a consistent and comparable baseline data set. For the first time, the department will have consistent data essential for policy review, planning, continuous improvement and investment/reinvestment processes.

The Department of Communities is also investing in the development of rigorous client assessment and outcome measurement tools that can be consistently applied by the services it funds. For example, a Family Outcomes Measurement tool is being trialled with a series of intensive family support services while a Common Assessment Tool has been developed and is being validated for use with complex and multiple needs clients.

Rigorous tools and methods for analysing client, family and community level benefits from funded service delivery – cost-effectiveness, cost-benefit, cost-utility – for key innovative or reform projects are currently being developed. The department has developed a set of standard costs and processes for cost modelling and is working directly with a consortium of Queensland universities to develop a structured framework of procedures for relating service costs to personal and social benefits. This framework will utilise both financial and non-financial measures and include the ability to take into account different levels of acuity and urgency of need and associated complexity of response (i.e. a casemix system that classifies people into groups that are homogeneous in their use of resources) across the department's diverse client base.

In relation to not for profit organisations within the health sector, the *Queensland Health Performance Framework for the Non-government Sector* was introduced as a standard reporting tool in 2004. The Framework uses a 'four quadrants' model focusing on the perspectives of funded service delivery, consumer and community, continuous quality improvement and management and resourcing. Funded service delivery is focused on performance monitoring measures, and includes data which is collected on funded service types. A recent review of the Framework concluded that it is primarily a quality framework which reports against a core set of standards, but does not measure outcomes performance. Additionally, the information gathered is not in a format which can readily be used for accountability purposes. The review recommended separation of the quality and performance systems, with the performance system focusing on service delivery outputs and outcomes, risk management, legal compliance and financial management. Queensland Health is currently considering implementation of the review recommendations.

2.2. Consider alternatives for, or improvements in, such measurements or further quantitative and/or qualitative means of capturing the not for profit sector's full contribution to society.

The Queensland Government considers the framework outlined on page 22 of the Productivity Commission's Issues Paper, *Contribution of the Not for Profit Sector,* to be a useful starting point for a standard approach to collecting data and information in relation to the not for profit sector – its activities and its benefits to society. The Department of Communities is particularly interested in measures of wellbeing and community capacity and has a strong focus on building a methodology that allows assessment of needs-based and place-based aspects to individual, family and community wellbeing as well as service and system performance.

In order to rigorously measure the not for profit contribution at a national level, Queensland would suggest the following information sources are needed to populate a framework that takes account of outputs and outcomes across individuals (and families); communities; services; and the system as a whole:

- ✓ **Standard Definition of Not for Profit Organisations** (based on ABS Classification of Not-For-Profit Organisations *8106.0 – Not-for-profit Organisations, Australia, 2006-07*)

- ✓ **Standard Small Area Geography** (based on or concorded to Australian Standard Geographic Classification 2008)

- ✓ **Standard Disadvantage Measure** (based on ABS Socio-Economic Indexes for Areas Index of Relative Socio-economic Disadvantage 1259.0.30.001 – Australian Standard geographical Classification (ASGC) Digital Boundaries (Intercensal), Australia, 2008)

- ✓ **Shared standards and methods for assessing need** (multi-factor risk indicators specific to particular target groups/issues at small area level)

- ✓ **Standard minimum data set**

- ✓ **Shared standards and methods for assessing community capacity** (multifactor assessment of community trust, resilience, support networks, etc.)

- ✓ **Standards for defining and measuring service system performance**
    - ❖ **Service supply** (quantum, coverage, appropriateness, efficiency and effectiveness)
    - ❖ **Service capacity** (service model, client numbers, number of services)
    - ❖ **Service networks** (distribution of services – state-wide, regional and local)
    - ❖ **Service systems** (contribution to continuity of client support across provider organisations/sectors)
    - ❖ **Service relationships** (position in continuum of support – prevention, early intervention, intensive).

- ✓ **Standards for defining and measuring client and community outcomes**

- ✓ **Standards for analysing benefits and costs.**

It is further noted that the adoption of methodologies consistent with that of the *Report on Government Services* is supported. Queensland would recommend that consideration be given to ensuring indicators for the not for profit sector reflect the

COAG priorities identified in the National Agreements. We would also recommend that a stronger focus be placed on needs-based/place-based assessment, such as that of the NBPRAF, to ensure services are in the 'right' locations for the populations of interest.

2.3. Identify unnecessary burdens or impediments to the efficient and effective operation of community organisations generally, including unnecessary or ineffective regulatory requirements and governance arrangements, while having regard to the need to maintain transparency and accountability;

A range of burdens and impediments to efficient and effective service delivery by non-Government human service organisations have been identified through a number of reports or inquiries, including by the:
- Queensland Service Delivery and Performance Commission (2007)
- Auditor-General of Queensland (2007)
- Queensland Parliament Public Accounts Committee (2008)
- Social Policy Research Centre (2007)[7].

In summary, findings indicate:
- burdens such as:
  - funding tender processes and funding levels
  - salaries and staffing costs
  - reporting and accountability requirements

- impediments such as:
  - policies and regulations
  - governance and workforce structures
  - service delivery models
  - funding models
  - information and data collection systems
  - nature of relationships between Government and services.

Salaries and staffing costs are the most significant cost drivers impacting on the capacity of the non-government service sector to provide quality services[8]. With funding from the Government as a subsidy only there is a need for many organisations to seek financial contributions elsewhere, primarily through fundraising, client contributions and/or staffing or resourcing efficiencies. This places pressure on organisations and detracts from their focus of servicing clients, particularly vulnerable or high-need client groups.

With limited funding available it is critical to ensure that reporting and accountability requirements are not overly burdensome. As an example of the need for 'red tape' reduction, one organisation has indicated that 70 per cent of their funding comes from the Commonwealth Government and 30 per cent is from the Queensland Government. For the 70 per cent of funding, 13 acquittals are required, while for the 30 per cent, 155 financial reports are required. Research has further indicated that a median amount of 1.7 per cent of non-government organisation's budgets was spent on compliance, with this figure closer to 11 per cent for smaller organisations. Further, organisations have argued for fewer budget line items to enable greater flexibility regarding how funds are spent to achieve the greatest outcomes. Inability to

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[7] Auditor-General of Queensland (2007) Report to Parliament No. 2 for 2007 Results of Performance Management Systems Audit of Management of Funding to Non-Government Organisations; Service Delivery and Performance Commission (2007) Report on the Review of the Department of Communities, Disability Services Queensland and the former Department of Aboriginal and Torres Strait Islander Policy; Social Policy Research Centre (2007); Public Accounts Committee Public Hearing: *Management of Funding to Non-Government Organisations*, 21 October 2008

[8] Social Policy Research Centre (2007) – unpublished

cost depreciation and plan for replacements have also been cited as impacting on viability.[9]

For those incorporated under the *Associations Incorporation Act 1981*, impediments identified and rectified include:
• difficulties in satisfying public liability insurance
• reporting and auditing requirements.

***Reducing the Reporting and Auditing Burden: The* Associations Incorporation Act 1981**

The Associations Incorporation Act 1981 provides a simple and inexpensive mechanism for not for profit groups to incorporate. This Act must accommodate the needs of the smallest and largest not for profits with vastly different purposes and funding sources.

While incorporation under the Act is not compulsory, those organisations which elect to incorporate obtain a number of benefits. For example, an association incorporated under the Act is a separate legal entity and therefore it has all the powers of an individual and is legally able to do things in its own name such as own property, enter a lease or sue or be sued. The personal liability of the association's members and management committee is also limited. However in addition to the benefits that can be gained from incorporation, there are a number of corresponding obligations. For example, application fees must be paid, and associations must provide Government with annual returns and financial statements. Associations must also comply with various provisions in the Act which regulate their administration. Certain associations are required to take out, or consider taking out public liability insurance.

Amendments were made in 2007 to modernise the Act and address problems including difficulties in satisfying a previous requirement to obtain public liability insurance (some associations found it difficult to obtain insurance due to the cost of premiums or cover no longer being available). The amendments also improved reporting and auditing requirements as such requirements were imposing an unjustifiably heavy burden on smaller associations.

The Queensland Government Framework for Investment in Human Services, the *Queensland Compact: Towards a fairer Queensland*, and legislative amendments have been introduced by the Government as mechanisms for improving partnerships with the not for profit sector and to reduce the administrative burdens associated with Government funding and reporting processes.

The Compact Governance Committee Action Plan identifies the following priority commitments which have an explicit focus on reducing impediments and burdens for non-government organisations:
• improve sharing of data and information to support good planning and practice
• Government to adopt genuine consultative approaches that seek input into policy development and planning early enough to make a difference
• work together on strategies to develop a sustainable human service workforce, focusing on attracting, retaining and training a high-quality workforce

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[9] Public Accounts Committee Public Hearing: *Management of Funding to Non-Government Organisations*, 21 October 2008

- Government to actively reduce administrative duplication, compliance costs and unnecessarily prescriptive funding agreements and recognise organisations may have multiple funding streams
- investigate and implement improved funding arrangements that balance expectations and funding levels.

Rural and remote area considerations

Queensland's geographical size and dispersed pattern of settlement has a significant impact on the cost and viability of service delivery in urban, rural and remote locations, and therefore the choice of service delivery mechanisms.

Rural and remote communities and discrete Indigenous communities face particular challenges in establishing viable service delivery arrangements. These communities are often geographically isolated from regional service hubs and have limited public transport options to support service access. Relatively small population bases, low levels of local infrastructure and difficulties attracting, accommodating and supporting professional staff often make the delivery of locally based services difficult and expensive. Where services do exist, they are often over-subscribed, with limited or no capacity to take on additional service delivery arrangements[10].

Due to these issues, there is a heavy reliance on fly-in/fly-out visiting services for remote and sparsely populated communities throughout the state. Travel time and the cost of travel are considerable for both service providers and their clients. This is further exacerbated by seasonal and monsoonal conditions which render many isolated communities inaccessible for long periods of time.

Local infrastructure factors affecting the choice of service delivery models in rural and remote regions include:
- availability of suitable buildings, transport and communication
- supportive social networks including schools, sports clubs, community organisations
- the presence of a non-government organisation in the area to provide appropriate services
- the employment and retention of appropriate staff within the region.

In some communities strong networks of Government and non-government providers have a capacity to respond effectively to changing demand. Other communities, however, struggle to attract skilled and viable providers resulting in interrupted, declining, inappropriate or geographically distant service delivery. In many communities, innovative and collaborative approaches to service delivery have mobilised local resources and effort and increasingly accessible and sophisticated information and telecommunications platforms are making possible a range of innovations in service delivery[11].

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[10] Queensland Government framework for investment in human services: Cross-Agency Strategic Guide, July 2008 – June 2009

[11] *Ibid p 3*

Strengthening Service Delivery – Palm Island Community Company

Established in late 2007, the Palm Island Community Company is a joint venture between the Palm Island Aboriginal Shire Council, the community and the Queensland Government. It is a company limited by shares (established under the *Corporations Act 2001 Cth*) running as a non-profit charity with dividends returned to the community. It is guided by a Shareholders' Agreement and Constitution and is managed by a Board of Directors.

The model was developed in response to the Palm Island community's lack of access to reliable and quality community services. There was evidence that local non-government organisations had difficulty in developing and sustaining quality services, responding to local issues, and maintaining effective governance arrangements. The community did not have a sector capable of delivering the quality and volume of human services needed to address the many social issues facing the community.

The company is designed to provide a non-government organisation capable of providing shared governance services for the administration of non-government organisations' funding agreements for Palm Island. Its functions include:
- acting as a 'shared service' hub for financial and administration activities for non-government organisations
- managing services, projects and initiatives on behalf of agencies
- building local capabilities in leadership, governance and administration
- engaging and training local people in basic administration and governance of non-government organisations.

The company has commenced delivery of Safe Haven, Diversionary Services, Family Support Hub, youth patrol and community patrol and administers the Palm Island Community Justice Group for the Department of Justice and the Attorney-General. It is demonstrating a capacity to get services operational, and to deliver efficiency and effectiveness dividends. Examples include reducing the number of vehicles, coordinators, and better compliance with time sheets.

Recruitment has commenced for the company's funded services and the company anticipates having the majority of the complement of project workers, or 24 workers employed on the Island by 30 June 2009. The company is facilitating a Youth Council on Palm Island to foster quality community leadership for the future and provide executive succession for the Palm Island Community Company.

2.4. Consider options for improving the efficient and effective delivery of government funded services by community organisations, including improved funding, contractual and reporting arrangements with government, while having regard to the need for transparency and accountability.

Since 2003, the Queensland Government has focused effort on modernising legislation impacting on not for profit organisations and on people who receive services funded by government. This effort has included the development and implementation of the *Housing Act 2003, Disability Services Act 2006 and Community Services Act 2007*, and funding reforms within the arts sector. The *Associations Incorporation Act 1981* was also amended in 2007 to both improve and simplify auditing and reporting requirements and address public liability issues.

The *Housing Act 2003, Disability Services Act 2006 and Community Services Act 2007* establish a clearer and more up-to-date legal foundation for the Queensland Government to support the work of service providers. These laws are designed to provide greater transparency and certainty about how the Department of Communities gives funding and other assistance to service providers; clarifies processes for ensuring high-quality, safe and accountable service delivery; and ensures services contribute to building sustainable communities.

The new laws have also simplified funding processes for service providers. They provide a clear process for determining which service providers are eligible for assistance from the Department of Communities and enables them to be pre-approved. Under this process, service providers only need to submit their credentials once to the department, rather than resubmitting similar information with each application for funding.

The new laws also introduced stronger safeguards to protect safety and rights of vulnerable clients, and to improve the quality of services funded by the department. These measures include:
- legislative recognition of service standards
- clear regulatory criteria to provide safe and accessible services for clients
- criminal history screening for people working in disability services
- complaints and investigative systems to enable the department to rapidly and effectively respond to the safety concerns of people receiving departmentally funded services.

Since 2006, the Queensland Government has progressively introduced a range of policy reforms to achieve a more integrated and efficient social housing system as part of the State's One Social Housing System. This has included:
- the application of common eligibility criteria for social housing assistance
- one application form for long-term social housing and one housing register replacing multiple waiting lists operating across the social housing system
- simple entry points for clients to access a range of housing assistance – eligible clients can apply for all forms of social housing through one point of entry
- a standard process to assess clients' eligibility for a range of services and allocate clients to housing
- streamlined allocation policies for matching clients to vacancies
- provision of social housing assistance for those with the greatest need, for as long as it is needed.

Queensland Government Framework for Investment in Human Services[12] – improved funding and decision making

This framework is a set of administrative tools developed to support the effective allocation and management of Government's investment in human services. It was designed to clarify the various purposes for which Government invests in human services and to establish management arrangements which align with the purpose, quantum and level of risk associated with Government's investment. The framework requires Queensland Government agencies that invest in human services to apply consistent and rigorous processes to ensure the Government's investment is delivered in ways which best meet the priorities of the Government and the needs and circumstances of Queensland communities. The framework is provided at Attachment 1.

The framework places a strategic focus on the effectiveness and sustainability of the human service system as a whole. This system is comprised of state, Commonwealth and local government, not for profit, for profit and other providers such as churches and educational institutions. The framework became effective in November 2007 and will be reviewed by December 2010.

The key elements of the framework are:
- **principles** articulating Government's expectations regarding the outcomes sought from its investment in human services
- **descriptors** of investment options to support more consistent approaches to assessment, risk management, monitoring and evaluation
- **assessment criteria** to help identify the most appropriate way to invest to address priority needs
- **guidelines** to support effective management of Government's investment in human services.

The framework seeks to reduce unnecessary administrative burdens by recommending that management arrangements be determined in consideration of the nature of Government's investment and the following risk factors:
- level of funding involved (< or > $100,000)
- type of service being supported via the funding
- clients to be supported
- history of the organisation receiving Government funding
- nature of the funding (e.g. one-off or triennial)
- total quantum of funds received across all departmental program areas
- number and diversity of alternate providers.

For many funded organisations, this has resulted in less frequent and less onerous reporting.

The framework is applied by the Queensland Government in many ways, including to:
- determine whether required programs and/or services would be best delivered by Government, a not for profit organisation, a for profit organisation or via some hybrid arrangement
- revise funding agreements to ensure that reporting and accountability requirements are commensurate with the nature of the funding provided and the level of risk inherent in the funded service

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[12] Queensland Government Framework for Investment in Human Services (2007)

- guide operational policy development and implementation such as with regard to the making and management of donation or gifts.

Application of the Framework for Investment in Human Services

1. *Alignment of management strategies to the nature of government investment and level of risk involved – reducing the administrative burden on both government and funded service providers*

The Department of Communities has implemented streamlined reporting strategies in the grants management system through:
- funding agreement changes in frequency of performance and financial reporting within a risk management framework with low-risk investments requiring less frequent monitoring and reporting
- mapping and documentation of grants management processes which has identified improvements in process to support effective grants management

Outcomes include funded organisations electronically updating their organisational information, submission of financial acquittals and performance information and accessing their reports from a central location via the internet and authorised Department of Communities staff able to efficiently access grants reports and service provider information.

2. *Innovative programs – creating efficiencies and effectiveness in service delivery*

The Logan-Beenleigh Young Persons Project commenced in July 2008 and is an integrated service delivery model comprising a mix of government and non-government service providers who work together to provide a range of intensive support services and case management for young people with multiple and complex needs. Lead support workers come together as a peer support and case management panel to collaboratively develop client support plans.

In the design and project development phase, the Human Service Investment Framework provided guidance to the funding models that could be used for this multi-agency initiative. A funding pool was established in which nine Queensland Government Departments, mostly human services agencies, contributed to the cost of operating the model and for a continuous improvement evaluation designed to drive service system reforms in the local area and to inform integrated service delivery models being established elsewhere. As a mixed model, the Human Service Investment Framework was used to test a proposal to co-locate government and non-government officers to improve the way some of the services are delivered through this model.

While primarily a government decision-making tool, the framework has been welcomed by the sector for its investment rather than 'hand-out' approach; its recognition of more innovative approaches to funding; and the explicit tailoring of accountability requirements to the funding situation.

Enhancement of Service and System Sustainability and Reduction of Administrative Burdens

Social Housing Reforms
The Queensland Government's vision and policy objectives for not for profit social housing are documented in the direction statement *One Social Housing System: A*

New Direction for Community and Local Government Managed Housing in the Smart State 2006 – 2011. The direction statement articulates the former Department of Housing's vision for a robust network of funded organisations by 2011 and documents a strategy for consolidation that 'will address the need for housing providers to achieve viable size and increased scale in operations for the future'.

Since 2006 the former Department of Housing has encouraged funded organisations to consider the benefits of organisational consolidation as a strategy to grow and sustain community-managed housing into the future. The creation of large consolidated organisations presents the opportunity to strengthen community managed organisations through improved income streams, organisational governance and service delivery to clients. The department anticipates that consolidated organisations will be well positioned to become major providers of social housing, managing multiple programs and capital developments.

Strengthening Non-Government Organisations Strategy
In 2005 the former Departments of Communities and Disability Services Queensland initiated the Strengthening Non-Government Organisations Strategy. The strategy aimed to build capacity and capability of funded providers by:

- providing transparency and clarity about what the portfolio expects from non-government organisations. This component included the updating of legislation and funding policies.

- improving the way the portfolio manages funding for community services, and its business relationship with the sector. Specifically, this element looked at improved business processes which limited the impact of the department's administrative processes on non-government organisations in receipt of funding.

- providing tools and support for the operations of non-government organisations. A clear example of this element was the Community Door website which coordinated high-quality tools and resources for Queensland's non-government organisations into one location. This site has subsequently been transitioned to management under the Queensland Council of Social Service to ensure it remains a relevant and accepted tool for the sector.

- providing opportunities and support for collaboration between non-government organisations. Incentive funding round and opportunities for collocation were the basis of this initiative.

- intensive and targeted support to Indigenous-managed non-government organisations. The Strengthening Indigenous Non-Government Organisations sub-project supported a statewide network of departmental officers to work directly with Indigenous-managed services in an organisational development capacity.

A very practical example of a Strengthening Non-Government Organisations output was the Community Bookkeeper initiative. This supported government to recognise and funded organisations to adopt a Standard Chart of Accounts. The Queensland Standard Chart of Accounts for not for profit organisations was developed between 2002 and 2004, involving the Queensland University of Technology and five government agencies including Queensland Treasury. The Standard Chart of Accounts was designed to help non-government organisations with financial management reporting and to simplify and standardise bookkeeping practices. Over time, it will reduce administrative duplication and provide a common approach to capturing accounting transactions.

Grants Managements System Program

The Grants Management System Program was one of the ten Strengthening Non-Government Organisations initiatives approved in early 2005. The purpose of this program was to deliver more effective and efficient grants management processes and information systems. Based on feedback from the Queensland Government Chief Information Office, the program scope was broadened to future state processes to ensure the investment had the ability to be extended and re-used more widely across Government agencies.

The Grants Management System Program has successfully completed a whole-of-government grants management business process review, with the future state business processes being approved by the Strategic Information and Information Communication and Technology Chief Executive Office Committee on 13 May 2008 as best practice guidelines.

As the Department of Communities continues to implement systems and processes locally, it may publish additional supporting documents through the Chief Information Office to share relevant learnings and resources from its broader program of work which have the potential to be leveraged more widely across government agencies.

The Department of Communities is developing improved systems for collecting the sector's service delivery data through the Grants Management System Program. The Business Intelligence and Enterprise Reporting solution will provide the ability to link data from the Online Acquittal Support Information System to the Communities Statistical Information System (COMSIS) as part of this program.

Improved Reporting: Department of Communities OASIS – Online Acquittal Support Information System

The Department of Communities is undertaking a statewide rollout of the Online Acquittal Support Information System (OASIS) as one of the strategies from the Queensland Compact Action Plan to achieve a more sustainable community service system that delivers better value. OASIS was initially delivered statewide in January 2009 to 497 organisations, with 121 registering to use the system as at 22 May 2009.

OASIS provides non-government organisations with one reporting point for the former department rather than several. Non-government organisations will be able to reconcile, share, submit and view historical financial and performance acquittals, as well as maintain organisational details online.

Benefits reported by non-government organisations include a reduction in the time spent on quarterly reporting, meaning more time was directed to providing services to the community; information held in a central place was accessible to multiple people within the organisation at different physical locations; and management committee members were able to approve financial and performance acquittals without having to travel to sign forms.

Phase Two of OASIS will deliver to departmental staff grants-related reports that will facilitate improved decision-making capability and timely access to current information in the delivery of services funded by the department.

Planning and service development improvements

In 2007, Disability Services launched the Growing Stronger initiative to improve the efficient and effective delivery of services to Queenslanders with a disability.

Project scope includes changes to both the government and funded non-government sectors to improve funding, contractual, assessment, service delivery and reporting arrangements. Salient features are:

- a consistent intake, screening and assessment process across Queensland
- a prioritisation methodology which is transparent and fair across all service providers
- an inventory of service availability by region, location, service provider and service
- a move to output based funding and reporting and acquittal of funding based on expected outputs.

A total of $52M has been set aside over four years for implementation with $28.5M to enhance Disability Services' Information System (DSQIS).[13]

Disability Services has also developed new guidelines and procedures to streamline administrative processes and reduce the level of administrative demand/cost for non-government service providers, including new procedures and guidelines to simplify processes for non-government service providers to retain savings and seek a change of purpose for funding.

Reforms to Arts Queensland Small to Medium (s2m) Grants Program

Arts Queensland is working to strengthen the sustainability of the Queensland arts and cultural sector and organisations (many of which are not for profit organisations). This involves supporting arts organisations to build a stable financial base which is fed by a diverse range of revenue streams, to forge partnerships with the corporate and philanthropic sectors, and to strengthen their governance capacity.

The strengthening sustainability agenda is outlined in further detail in the Queensland Arts Industry Sector Development Plan. This plan was released in early 2007, following statewide consultation in 2006, and sets a clear direction for the Queensland Government and the arts and cultural sector to work together to develop arts and culture in Queensland during the three-year period from 2007 to 2009. The Plan articulates six strategic priorities that apply to all artform areas:

- developing flexible funding models to support emerging policies and priorities
- increasing infrastructure and support for regionally based artists and art organisations
- enhancing audience development and focus on the arts
- increasing international touring and exhibitions of Queensland artists and companies and export of Queensland product
- promoting stronger Aboriginal and Torres Strait Islander arts and culture
- strengthening the viability and growth of the arts sector.

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[13] DISQIS is an internal departmental information system that is aimed at streamlining and improving departmental record keeping. This will have a positive flow on effect for non-Government organisations as the information held by Disability Services about their funding and service provision will be greatly improved.

In 2007, Arts Queensland redesigned its grant programs to align with the priorities outlined in the plan. The most significant increase in funding flexibility was the reform of the Cultural Infrastructure Program (CIP) to introduce the s2m Program for small to medium organisations. The small to medium sector is vital to the health of the arts. It plays a significant role in nurturing innovation and developing new work; taking risks; fostering community engagement and participation; providing regional access and artistic diversity; and supporting the professional development and employment of artists and arts workers.

By 2007, CIP had provided support to 48 of the 50 organisations funded since 2000. The s2m Program increased flexibility by providing a combination of multi-year and annual funding on a competitive basis, to small to medium organisations from 2008 as well as a flexible funding pool for industry development initiatives.

The transition was challenging as some organisations previously assured of triennial funding through negotiation participated, for the first time, in a competitive process according to criteria and with the participation of industry experts in the assessment process.

For 2008, a total of $8.462M in s2m grants was awarded to 43 successful organisations, with seven new organisations receiving annual funding. The remainder of the funding went to eight industry development initiatives to maintain arts development momentum and minimise gaps in services including commitments to regional engagement and service provision; transitional support for key priorities including Indigenous performance and culturally diverse music and dance; and development initiatives in publishing and in performing arts through creative production hubs.

Arts Queensland's $9.6M annual investment in the small to medium sector is the highest of any state or territory in the country. This reform focused the investment of funds where they would make the most difference – in arts organisations that are improving artistic quality, growing audiences, breaking new ground, securing new partnerships and diversifying their revenue streams.

Arts Queensland: BoardConnect

Launched in August 2008, BoardConnect is an initiative of consulting firm Positive Solutions, co-funded by Arts Queensland. It is the first service in Australia offering continuous board development and governance support specifically to arts organisations. The majority of these organisations are not for profit organisations. During the initial pilot (from August 2008 to May 2009), BoardConnect has connected with 85% of Queensland arts organisations – metropolitan and regional, major and small to medium. The initial program offered the following services:
* Confidential help-line support to provide individual advice on board-related issues, attracting contact regarding over 30 specific issues to date
* Free brokering service for further advice, consulting services, and specialist trainers, including both pro bono and fee-paid sources of support, attracting five in-kind corporate supporters and five not-for-profit industry partners to date
* A regular schedule of workshops, seminars and round-table forums for board members and CEOs/Artistic Directors, with two of ten events being repeated to meet demand, and engaging representatives of over 40 arts companies
* An online Board Health Check self-evaluation survey, with follow-up analysis, reporting and action plans delivered by BoardConnect consultants, attracting nine participating companies in the three months since this service's rollout

* Incremental board development programs for emerging arts companies, currently servicing two companies
* Introductory presentations to assist companies to identify their immediate and medium-term support needs, taken up by 19 arts companies to date, and induction sessions and materials for new board members
* Online resources, including topic-specific fact sheets (approx 30 published to date), links to publications and web sites, and a regular e-news service
* Ongoing development of new services and resources in response to board development needs identified by Queensland arts companies.

On 4 June 2009, the Premier announced that BoardConnect will receive $150 000 over the next two years to continue working with Queensland's arts organisations to strengthen their governance by providing professional development and support services. The funding will enable BoardConnect to grow their partnerships for pro-bono support for legal services and financial advice, and to deepen and extend their board development services.

A number of arts and cultural organisations have a strong focus on tackling social exclusion via community cultural development (CCD) and arts-led community engagement processes and projects. (These arts organisations are a sub-set of the broader group of arts and cultural organisations funded under Arts Queensland's grants programs.) These organisations deliver arts-led projects and programs which specifically address wide-ranging issues from mental and physical health, homelessness, drug and alcohol use, youth unemployment and domestic violence, through to environmental sustainability, promotion of cultural diversity and community regeneration. Arts Queensland funds many organisations that use a CCD approach including Access Arts, Catalyst Youth Arts, Crossroad Arts, Feral Arts, SpeakOut Ltd, Vulcana Women's Circus and Contact Inc.

Service and funding agreement reforms

A range of approaches exist across the human services sector for contracting non-government organisations (not for profit service providers). Generally, services may be procured through open, targeted or negotiated tender processes.

Examples of tender processes used by the Department of Communities to contract services to address volatile substance misuse (VSM)

OPEN TENDER PROCESS
The VSM 'place of safety' is currently operated in Brisbane by Aboriginal and Islander Community Health Service Brisbane Ltd. During the trial of the places of safety, this service has fulfilled the service provision requirements, delivering a successful VSM response within the region.   However, the Brisbane regional office has recommended an open tender procurement process for the service response in Brisbane as there is a range of service providers in the Greater Brisbane area that have the capacity, skills and experience to deliver a VSM response.

This process involves:
- public advertising
- submissions from service providers assessed by a panel
- merit –based selection against eligibility and selection criteria.

NEGOTIATED TENDER PROCESS
The North Queensland region has recommended a negotiated tender procurement process for the service response in Townsville. This procurement method has been selected as there are a limited number of service providers in the area which possesses the capacity, skills and experience to provide the required service. Additionally, the service must have established local knowledge and networks to provide a coordinated and more holistic VSM response. The Townsville Aboriginal and Islander Health Service has demonstrated the capacity, skill and experience required to deliver the VSM response, and have tailored the service model to the local situation.

This process involves:
- direct approach to one or more eligible services
- submissions from service provider/s for funding to deliver a service based on a model agreed through negotiation with the department

Queensland Health is guided by both the Queensland Health Purchasing Policies and Procedures and the *Queensland Government Framework for Investment in Human Services* when procuring services from the non-government sector. Procurement plans are developed prior to commencing procurement processes, the result of which may be an open or closed (targeted/negotiated) tender process. Procurement plans for human services consider aspects of both of the above guiding documents, including the structure, capacity and analysis of the service system, effective investment options (including value for money), service quality and risk analysis.

Queensland Health is currently reviewing its range of service agreements which will include as far as possible alignment with other agencies purchasing health and social services from the not for profit sector.

For Disability Services in particular, individual funding needs to be a tailored response to assessed need, which can be delivered through a range of funding mechanisms. Notwithstanding that there are various funding models, the key concern is that services are person-centred, and are meeting the individual's needs. The main approach to individual funding at present is individual funding packages held by a service provider to provide an agreed service to an individual. However, a small number of people and families have chosen to become incorporated to receive direct payments to spend in an open market or employ staff. (Legislation in Queensland presently specifies that the Government can only provide funds to incorporated non-government organisations.) Disability Services continues to explore different models of support which can improve individual outcomes.

During the 2006-2008 financial years, 82 per cent of non-government disability service providers transitioned from a General Service Agreement to a Funding Agreement. It is anticipated the remaining 40 recurrently funded services will transition into a Funding Agreement by 30 June 2009. This work is being further developed with the introduction of funding for output based service provision.

The Department of Communities (Community and Youth Justice Services) has reviewed the service agreement used to secure grant funds to non-government organisations to simplify the agreement and ensure it complies with, and reflects, the *Community Services Act 2007*. In accordance with the outcomes of the review, monitoring will be streamlined by linking it to risk, reducing budgets to comprise a total of four line items, and to simplify reporting though the provision of quarterly

returns. In addition, it is intended that organisations will be able to electronically sign service agreements, reducing the administrative burden placed on organisations.

Provisions of the *Community Services Act 2007* will further reduce the administrative burden placed on organisations, with reviewed service agreements referring to regulations of the Act rather than restating them, and the Chief Executive delegating responsibility for signing funding agreements to Regional Executive Directors, resulting in a more timely and direct process.

2.5. Examine the changing nature of relationships between government, business and community organisations in recent times, their general impacts, and opportunities to enhance such relationships to optimise outcomes by the sector and its contribution to society.

The Queensland Government's investment in the not for profit sector grew by 40 per cent between 2003/04 and 2007/08. There is increased service delivery by the sector to higher risk, vulnerable and disadvantaged clients.

The relationship between the Queensland Government and the non-government sector has evolved over time. Non-government providers have reported significant differences between their relationships with different departments and at times, with different areas of the one Department.

The Queensland Government developed the Framework for Investment in Human Services as an early step in clarifying the nature of its various relationships with funded service providers. Having established internal, whole-of-government principles and management guidelines to drive more consistent approaches across departments, Government was in a position to begin collaborating with the sector to develop the Queensland Compact.

The sector's own efforts to strengthen its internal relationships by establishing the Community Services Futures Forum, a collection of more than sixty peak and statewide organisations, proved to be parallel enabler of the government-sector engagement process necessary to develop and subsequently implement the Compact.

The establishment of the Compact, oversighted by an independently chaired, joint governance committee heralded a new era in government-sector relations in Queensland.

The Queensland Compact: Towards a fairer Queensland[14]

The Queensland Compact: Towards a fairer Queensland (provided at Attachment 2) commits the Queensland Government and the not for profit community services sector to actions which improve human services and the sector's contribution to the economy. It sets out the principles whereby the Government and the sector will work together in a respectful, productive, forward-looking relationship that benefits the community. Its vision is: *The Queensland Government and Non-profit Community Services Sector working together for a better quality of life and a fair community for all Queenslanders now and in the future.*

The Compact recognises the contribution of the non-profit community services sector to a 'fair Queensland', in delivering services to vulnerable people, and promoting opportunities for Queenslanders to contribute to their communities through volunteering. The Compact also recognises the sector's sizeable contribution to the Queensland economy, through the many jobs it creates and the value of work performed by volunteers. A strong and viable community services sector is vital to achieving 'a diverse economy powered by bright ideas' – part of the Queensland Government's vision for a 'strong Queensland'.

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[14] The Queensland Compact: Towards a fairer Queensland (2008), Queensland Government and Queensland Community Services Futures Forum

It sets out a number of principles against four goals agreed between the sector and the Government. These goals are:
1. build strong working relationships
2. improve engagement in planning and policy
3. improve the sector's capacity and sustainability
4. continue to improve service quality and innovation.

Implementation of the Compact is overseen by a Governance Committee which includes an independent Chair and five government and five sector representatives.

The committee endorsed an action plan (Attachment 3) in March 2009 which includes strategies to:
- move towards a sustainable human service workforce; streamlined quality standards and compliance processes; consistent financial reporting arrangements; and streamlined and meaningful performance reporting
- improve sector engagement in planning and policy, including through the development of an online hub and statistical information system which improve the sector's access to data and information to be used in planning and service delivery
- reduce duplication in criminal history and suitability screening
- continue to improve service quality and innovation.

An Annual Report will be provided to Parliament describing the achievements and progress against the Compact goals; the first report is due in early 2010. An independent review process will be undertaken at the end of two years (by November 2010) to assess the effectiveness of the Compact and its implementation.

As referenced elsewhere in this submission, there are a number of challenges facing the human service system in Queensland. The Compact Governance Committee provides a dynamic environment for non-government sector representatives to move from a traditional advocacy role to being active participants, alongside government representatives, in designing and implementing reforms which address these challenges. Whilst still a relatively new initiative, it is anticipated that reforms led via the Compact Governance Committee will foster a more mature and sophisticated approach to joint analysis, problem solving and change management in order to promote a strong human service system in to the future.

Additional strategies to strengthen relationships and optimise outcomes

In addition to these whole-of-government initiatives, Queensland Government agencies have actively sought to revise approaches to engaging with the not for profit sector. Drivers for this include improving efficiency and effectiveness to establish more sustainable and viable service delivery models to achieve defined targets.

In recognition of the need for viable, sustainable models within the not for profit sector, the Queensland Government has increasingly funded innovative programs and services and developed policy which both focus on integrated and collaborative service delivery in partnership with the not for profit sector.

Optimising Outcomes: Brisbane Housing Company

The Brisbane Housing Company (BHC) is an independent, not for profit organisation established in 2002 by the former Department of Housing (now Department of Communities) in partnership with the Brisbane City Council to deliver affordable housing to low-income earners in the near and inner city suburbs. The decision to establish an independent, not for profit organisation was motivated by potential efficiency gains and the potential for recruiting other sources of funding in the delivery of affordable housing.

BHC is incorporated as a public company limited by shares under the *Corporations Act 2001*. As such, BHC residents potentially have access to Commonwealth Rent Assistance and, as an Income Tax Exempt Charity, BHC is exempt from goods and services tax and other taxes including income tax.

To retain its GST benefits, BHC has to ensure that rents charged are maintained at or below 75 per cent of GST inclusive market rents. As a charitable institution, BHC may receive stamp duty exemptions from the State Government and is exempt from income and capital gains tax.

BHC currently has approximately 700 units of accommodation in a mix of boarding house, studio, one- and two-bedroom properties.

BHC was established with the intention of the organisation developing a 'financially self-sustaining' portfolio over the first four years of its operations. Furthermore, the original business plan noted that the organisation's main sources of funding would be:
- land and/or cash grants from the Queensland Government and Brisbane City Council
- charitable donations and voluntary developer contributions
- borrowed finance leveraged against equity.

Incomes from rents are to meet general operating expenses and costs of managing and maintaining BHC properties, with any surplus being used to fund further expansion. To date, BHC has relied on funding from Department of Communities and Brisbane City Council for its capital program. As development costs continue to increase, it remains unclear whether the organisation will be able to expand its number of properties and grow independently without ongoing financial grants from Government.

The significant amount of funding, and the large number of properties being managed requires BHC to be a highly sophisticated organisation. To operate effectively, BHC has needed specialist skills in negotiation and property management. This advanced level of corporate professionalism is unique in relation to the provision of affordable housing within the social housing context.

New approaches have been developed to further consolidate existing arrangements, improve location-based sharing, cooperation and coordination of efforts. Over time, it is expected that increased integration of services will occur across the human services.

Improving Service Delivery: The Multi-Tenant Service Centre (MTSC) Project
The Multi-Tenant Service Centre (MTSC) Project was implemented with the objective to co-locate previously separate service providers in one centre to achieve service delivery and business operating improvements and efficiencies by:
- coordinating and/or integrating service delivery across the co-locating services
- making cost savings through the sharing of service delivery activities, space and administrative resources and systems
- redirecting cost and time saving into service delivery.

There are three MTSCs, located in Toowoomba, Caboolture and Mackay. A further four rural MTSCs are coming online through the Blueprint for the Bush strategy. These will be located in Charters Towers, Dalby, Burdekin, and Lockhart River.

Preliminary findings regarding the benefits of the centres include: efficiencies in sharing resources (including staff) and information; more people accessing services in the one-stop shop and increased outreach into the community; and an improved ability to take on larger collaborative projects through joint funding proposals.

The building of the consortium has involved some challenges, including the costs and time to set up, establish and build capacity; development of a shared vision and purpose across the different services; and increased management and administrative complexities in joining the services.

In establishing such consortia it is important to: involve all stakeholders in initial planning and design; properly assess the level of fit between services; and develop an effective internal and external communication strategy.

3. Comments on taxation

In relation to the housing sector, funding arrangements are governed by Commonwealth and state taxation legislation and the State Purchasing Policy. The quantum of government funds to not for profit social housing providers is significant. Social housing assets purchased or constructed solely or partly with State funding are protected by contracts, funding agreements, mortgages and title arrangements. Each of the mechanisms for protecting government assets, ensuring performance and quality client outcomes will be reviewed over the next 3 years.

Non-profit Community Housing Organisations may currently be entitled to tax concessions including:
- exemption from income tax and capital gains tax as endorsed Income Tax Exempt Charities.
- concessions relating to Goods and Services Tax (GST), benefiting both service recipients and service providers.
- limited rebates from Fringe Benefits Tax (FBT) as charities.
- ability to receive tax deductible gifts from donors, as endorsed Deductible Gift Recipients arising from public benevolent institution status.
- potentially exempt from State taxes where qualifying as religious or charitable institutions.

The Productivity Commission should give consideration to the following principle points made in submissions to the Henry Review into Australia's future tax system:
- Key issue for the Community Housing Organisations (CHOs) relate to:
  - how 'relief of poverty' is classified as it relates to the provision of affordable housing
  - what constitutes 'incidental activity' in the provision of affordable rental accommodation in terms of development activities and tenant profile.
- A key risk for CHOs is that they may lose their charitable tax status if they participate in activities that are deemed by the Australian Taxation Office (ATO) to be inconsistent with the exempt entity status under which most community organisations derive their charitable status, from the relief of poverty.

An example of this involves the introduction of the National Rental Affordability Scheme legislation where concerns were raised by the ATO about the possible implications for an organisation's not for profit status if they develop and/or manage NRAS funded housing. As a result of these concerns, in order to protect CHOs participating in the NRAS a legislative amendment was introduced in December 2008

Another example of the uncertainty facing CHOs is the recent Word Investment case in the High Court. This case has broadened the range of activities that can be conducted by exempt entities which are not for profit organisations. However, the full implications of the case are not yet clear.

Other taxation issues include the following:
- Under the GST legislation CHOs that provide residential accommodation for less than 75 per cent of the GST inclusive market value of the accommodation are considered to be providing a GST free supply. This is a very important concession for CHOs. However, if the 75 per cent test is not met, the CHO cannot claim the GST included in expenditure on operational costs and land purchases and construction costs. The issue for CHOs is the determination of the 75 per cent test.

- To assist in the determination of market values, the ATO has issued market value guidelines; alternatively the CHOs are required to obtain independent valuations.
- Under Queensland legislation, exemption from duties, land tax and payroll tax is available for certain religious and charitable institutions, subject to the property being used for a qualifying purpose (in the case of duties and land tax) or the work being carried out for a qualifying purpose (payroll tax):
  - the state qualification requirements are similar but not the same as the ATO qualification requirements
  - in addition, for stamp duty exemption the organisation must apply and register for exemption with the Office of State Revenue.

The lack of common qualification requirements at all levels of government and the added uncertainty generated by the ATO comments regarding charitable status has lead to a far greater burden on CHOs in carrying out their primary activities of providing affordable social housing.

Arts Queensland has commissioned research into potential tax reforms to improve the sustainability of not for profit organisations in the arts and cultural sector and individual artists. In relation to taxation issues for not for profits in the arts and cultural sector, the Productivity Commission should give consideration to the principal points made in the submission by the Australian Council for the Arts to the Henry Review including:

- enhancing tax concessions for private support for the arts
- changing the FBT status for arts organisations
- increasing the tax deductibility of the cost of attending fundraising events and examining the treatment of material benefits for donors
- enabling charitable trusts, foundations and Prescribed Private Foundations to disburse to individual artists and non-DGR arts organisations.

4. Conclusion

The Queensland Government recognises the vital role not for profit organisations play in community life in Queensland. They contribute to social inclusion, to employment and also to volunteering. They can foster innovation and creativity. Many organisations also deliver significant services for vulnerable and disadvantaged people.

The Queensland Government recognises there are a number of challenges for the sector and is actively pursuing reforms to ease the burden and improve the efficiency and effectiveness of not for profit organisations, particularly in the human services sector. These reforms involve measures to improve the engagement of the sector in planning and policy development; reduce 'red tape' administrative and accountability requirements; streamline and clarify funding and contractual arrangements to better support investment in human services; and strengthen assessments of performance to ensure services are targeted at priority needs and locations.

We look forward to the Productivity Commission's report on the contribution of the not for profit sector in Australia.