

Comments on Productivity Commission Report on “Contribution of the Not for Profit Sector”

Introduction

Brisbane Housing Company Limited (BHC) is a not for profit housing provider. These comments have been prepared by the CEO of the Company on behalf of the Board.

The comments do not necessarily reflect the views of BHC shareholders.

Overview

BHC welcomes the attention being paid to the subject of the “contribution of the not for profit sector” (NfP).

BHC congratulates the Commission for preparation of such a thoroughly documented and wide ranging report.

BHC fully supports a number of the key recommendations in the draft report (see below).

Given the breadth of the study, BHC is concerned that a number of issues specific to social and affordable housing may be overlooked. These points are highlighted below under the heading “application to social and affordable housing”.

Comments on recommendations

Key recommendations: BHC endorses the broad thrust of the recommendations and in particular welcomes recommendations as follows:

- 5.3 re reducing compliance costs
- 5.4 re evaluation
- 6.2 re standardisation
- 6.3 re definition of charitable purpose
- 6.4 re creation of registrar
- 13.2 re creation of an Office for NfP sector engagement

Role of the Commonwealth: Of particular importance we believe are those recommendations that include a Commonwealth instrument for driving forward change and innovation. Given the fact that much of the growth in activity for the NfP sector will be in delivery of services previously delivered directly by State Government Departments, it is considered important that the Commonwealth which funds many of these services assumes responsibility for the pace and consistency of change across jurisdictions.

Scope of evaluations: In relation to evaluation methodologies, it is important that best practice requires inclusion of relevant comparison data. For example when BHC was evaluated by KPMG in a study funded by Government Shareholders, the authors were unable to include comparative data on the performance of Government Departments in relation to procurement of capital works. This omission reduced the value of the study.

Application to social and affordable housing:

Scope of the “case study on social housing”: BHC was pleased to see that the working papers included appendix H which provided “A case study on social housing”. It is recognised that the case study was not intended to have its own specific recommendations but was provided as an example of one area of activity relating to the wider issues of the whole report. Consistent with this purpose of the case study it is suggested that the case study be extended to illustrate the way in which the broader recommendations of the report would impact on this particular area of policy. This would enable the readers of the report to better understand how the high level recommendations in the main report would translate to a specific service sector. Inclusion of these examples in the main report could strengthen its credentials in respect of driving forward change. This would enable particular areas of concern discussed below to be addressed.

Role conflicts for State Governments: State Government’s have a particular role conflict in relation to social and affordable housing. This is because the State Government’s not only perform the role of funder and regulator of NfP providers but also have their own social housing portfolios. The latter represent an important part of State balance sheets. It is worthy of note that this role conflict was avoided in overseas jurisdictions that have seen an increase in the role of NfP providers (e.g. UK). The appropriate use of the NfP sector to secure value for money and better service outcomes could be inhibited by this role conflict for State Government’s.

Capacity building: Capacity building for the not for profit housing sector is of vital importance given the large sums of money associated with creation of housing assets as compared (say) with delivery of personal services to clients in need. The risk management requirements for capital projects can prompt an overly cautious approach which in turn frustrates achieving the scale of activity to fuel attraction of the right talent within the NfP entities. BHC is an example of where Government sponsors at State and local government level took the correct approach. BHC was adequately funded, attracted capable directors and was able to build capacity within the new organisation. The scale and type of funding is key to capacity building.

The challenge of managing though independent entities: There is a particular set of challenges and skills required to be an effective procurer of service delivery outcomes through independent organisations. These are challenges and skills that conventional roles in government bureaucracy may not equip officials for. It is hoped that more attention can be paid to understanding the nature of these challenges and the skills required to address them.

Comments provided by David Cant CEO BHC