



# **Building Strength and Sustainability in the Current Environment**

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**Prof. Myles McGregor-Lowndes  
CPNS – QUT  
NDS Conference 2007  
24 October (11.00-11.45 am)  
Rydges Hotel, Southbank**

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# Full Cost of Service Delivery Project

- Similar lobbying across Australia
    - Indexation to keep pace with costs
    - Move away from productivity dividend cuts
  - QCROSS and ACROD
  - SNGOs Fair Level of Funding Project
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# Project Aims

- The Queensland Government funds non-government service providers (often not-for-profit organisations and charities) to deliver community and disability services. Increasing financial pressures have made it difficult for some organisations to deliver consistent, quality services. In some cases, this has put the future delivery of some services in doubt.
  - The community has high expectations service providers will demonstrate sound business practices and value for money in return for government funding.
  - The Fair Level of Funding project will build on earlier work of both departments by examining the ongoing viability and sustainability of the community and disability services sectors.
  - The project will review current funding methods and the way in which funding allocations are calculated. The project will seek to develop funding mechanisms that support quality, innovation and flexibility while also maintaining a diverse, efficient, responsive and sustainable service sector.
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# Study

- Social Policy Research Centre (UNSW)
  - an independent consultancy to collect financial and other data that will be used to inform the costing process.
  - “By November 2007 the researchers aim to deliver a preliminary report with data collection and research findings, including costing and variation by service type, service provider type, location and client characteristics.”
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Question 1- Who is responsible for providing care and support to those with a disability?

- Families
  - The individual
  - The Government
    - State
    - Federal
  - Nonprofit Organisations
    - representing the community or agent of the state?
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If the answer is all or many of the above,  
then ....

- What is the relationship between the various players to achieve the level of support ?
  - How does the relationship work and cope with a turbulent external environment?
  - How are various parties called to account for their role and contribution?
  - To whom are they accountable and in what forum?
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## Question 2 Who is responsible for ensuring an appropriate standard of care?

- The individual
  - The Family
  - The Government
    - Federal or state
    - Line Department or specialist agency
    - The Judiciary or quasi judicial body
  - Nonprofit Organisations
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# Suggestions for Funders

- Full cost price for ‘shopping’ with risk included
  - Minimise the costs of funding
    - Standardise request and acquittal formats
    - Do not invent special performance metrics, use sector developed metrics (used by boards)
    - Share common data platforms – collect once and use many times
    - Do not confuse control with accountability
  - When investing – fund over several years and at a higher level
  - Recognise administration and reserves
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# Example Approved in UK

## **Unrestricted funds are needed:**

- (a) to provide funds which can be designated to specific projects to enable these projects to be undertaken at short notice and
- (b) to cover administration fund-raising and support costs without which the charity could not function.

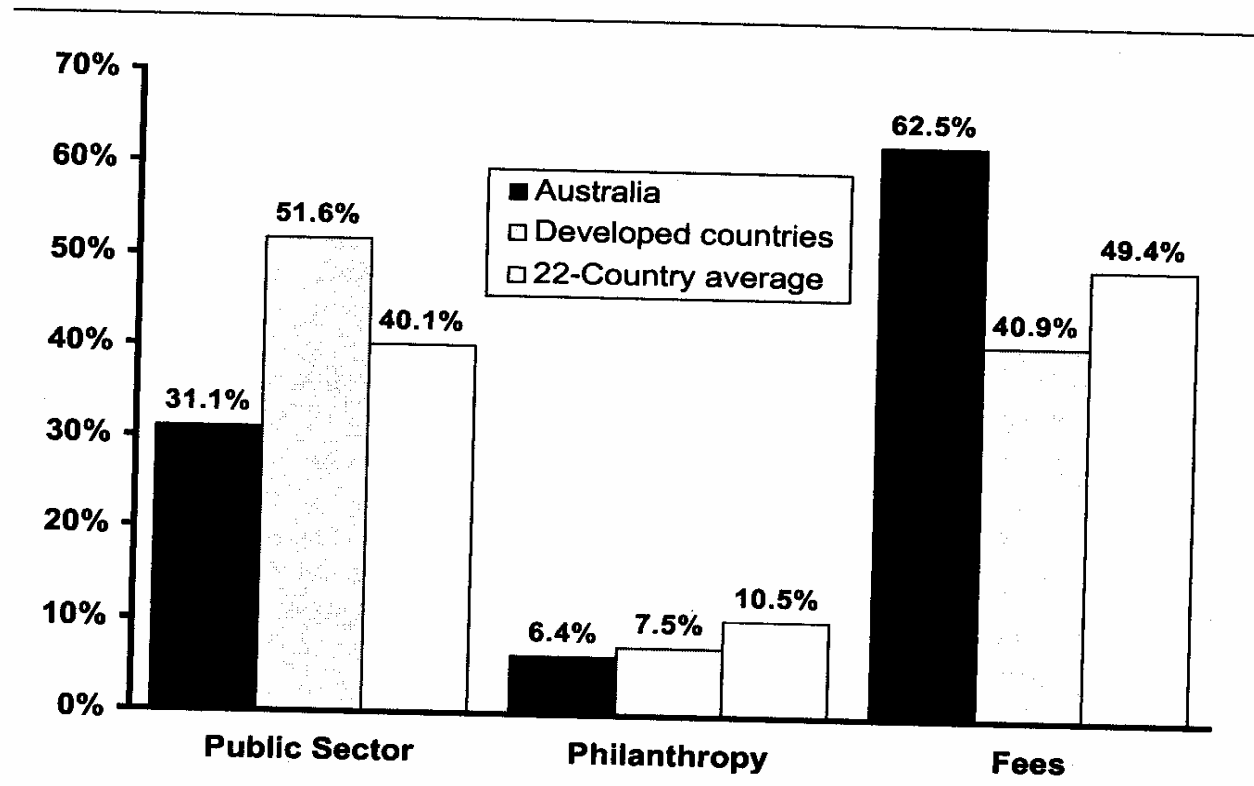
The board consider it prudent that unrestricted reserves should be sufficient:

- (a) to avoid the necessity of realising fixed assets held for the charity's use;
  - (b) to cover one year's administration fund-raising and support costs;
  - (c) to provide a pool equal to 10% of the average charitable expenditure over the preceding two years from which funds can be designated to specific projects.
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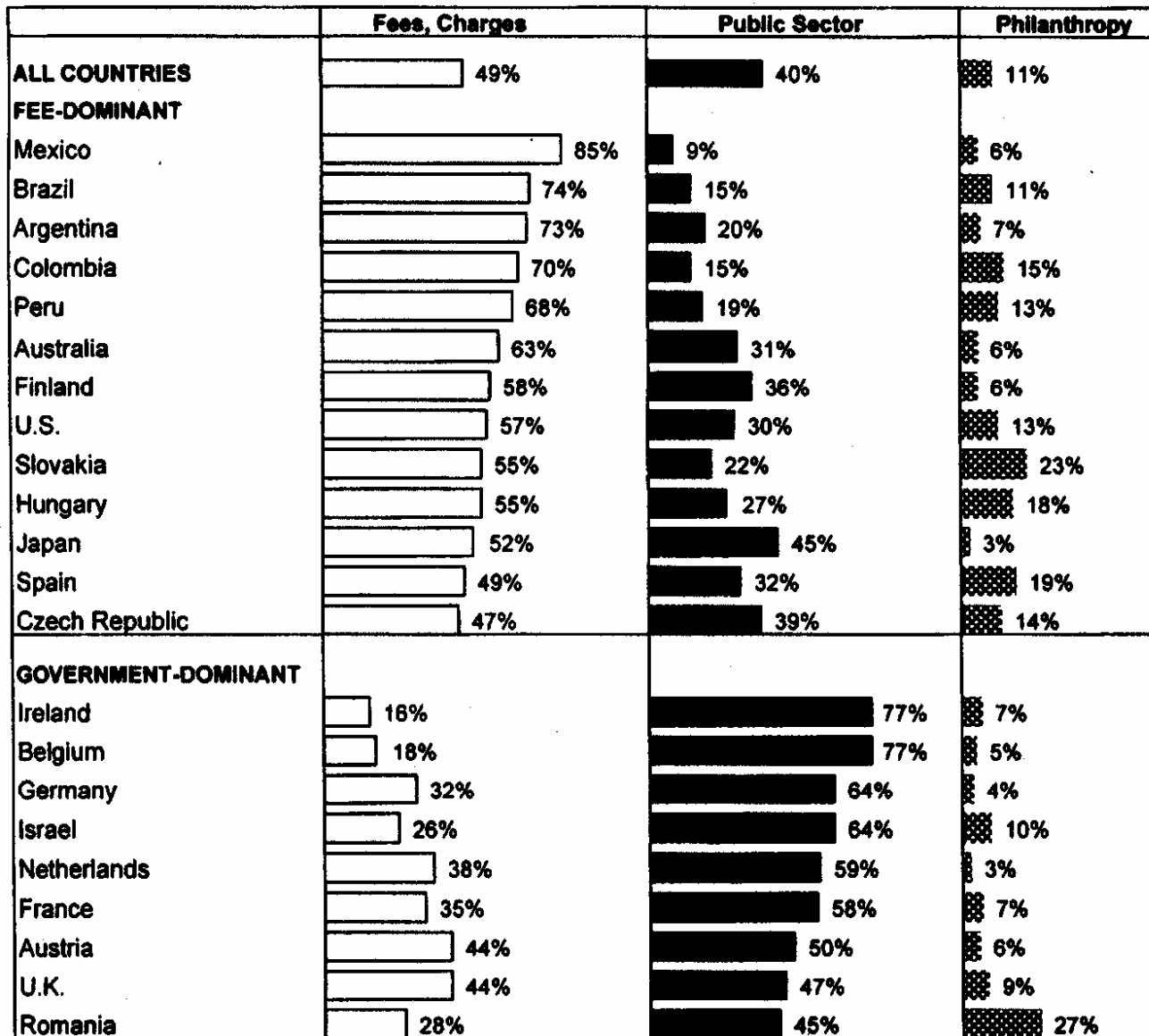
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# Suggestions for nonprofit organisations

- Key is resources.
  - There are no magic bullets here
    - Endowments
    - Philanthropy
    - Unrelated business ventures (social ventures)
  - It is the **Mix that Matters**
  - WHAT COMBINATIONS OF INCOME BEST SUPPORT THE PERFORMANCE OF A NONPROFIT SEEKING TO ADDRESS A GIVEN SOCIAL MISSION IN A PARTICULAR SET OF CIRCUMSTANCES?
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**Figure 10.8** Sources of nonprofit cash revenue, Australia, developed countries, and 22-country average, 1995



**Figure 1.10** Sources of nonprofit revenue, by country, 1995 (22 countries)

Source: The Johns Hopkins Comparative Nonprofit Sector Project

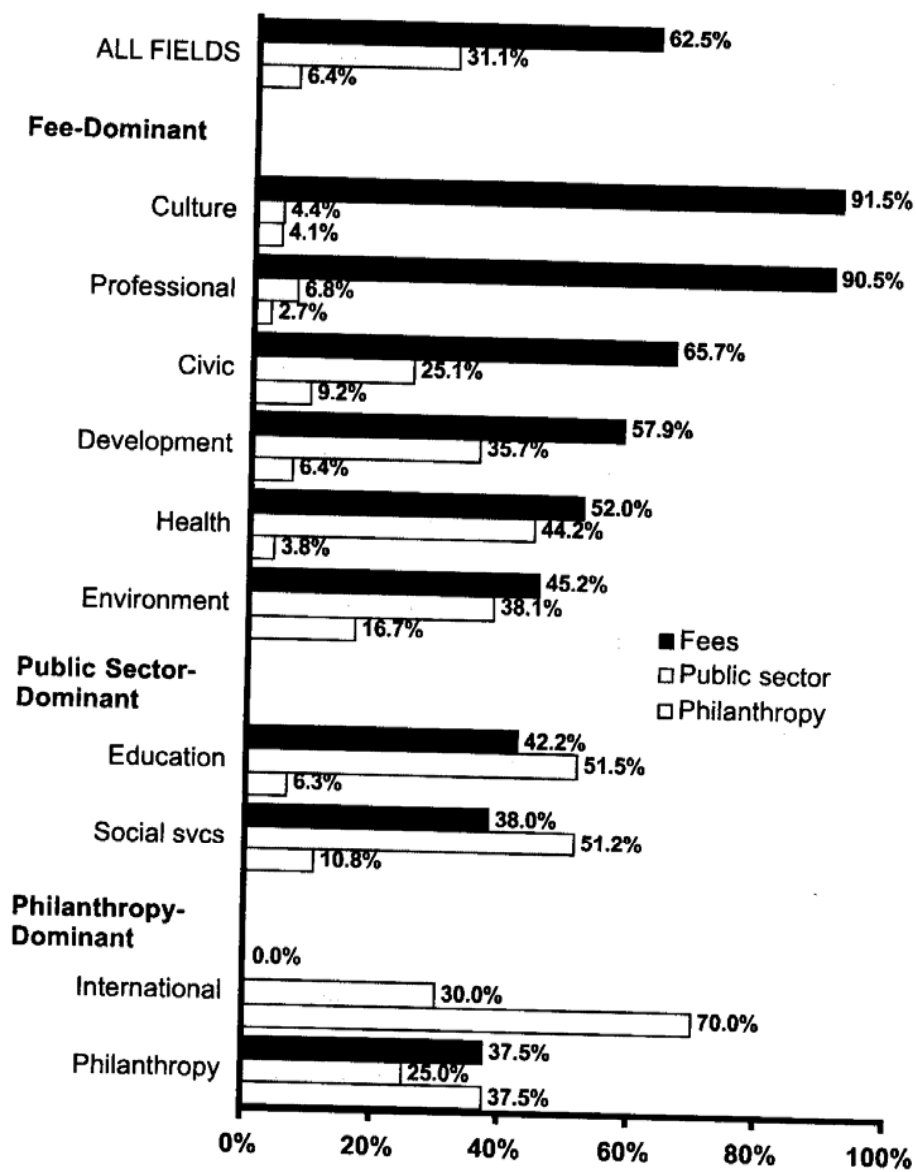


Figure 10.9 Sources of nonprofit cash revenue in Australia, by field, 1995

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# Sources of Support for Operations

- Individual Giving
  - Foundations
  - Government
  - Fees
  - Commercial ventures
  - Membership income
  - Investment income
  - Volunteer
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# Sources of Capital

- Collaboration and Barter
  - Gifts in kind and illiquid assets
  - Borrowing and Debt
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I can't give you the answer for your organisation, but let us try and think through the issues...

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# Getting the Mix Right - Assumptions

- A Strategic Governance Issue
    - Nonprofits are driven to achieve a social mission
    - Nonprofit organisations have diverse and multiple stakeholders
    - Stakeholders have their own agendas and needs for the resources they bring
      - some more aligned with the social mission than others
    - Sources of income should correspond with the nature of benefits conferred on, or of interest to, the providers of those resources
    - Income may reflect the mix of benefits it can confer on a diverse set of stakeholders
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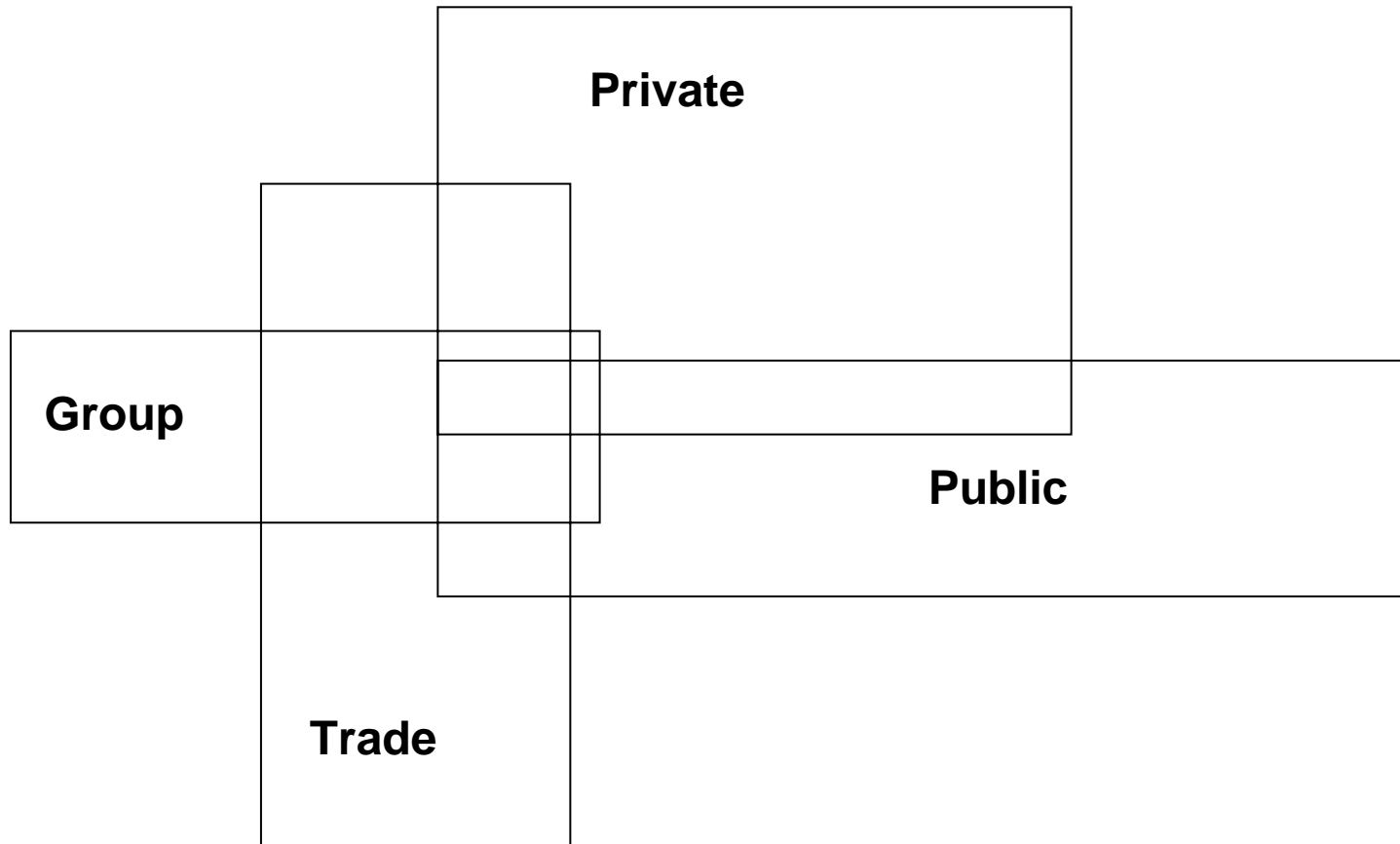
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# Benefits to Stakeholders

- Private Benefits – what individual consumers can or are willing to pay for (MARKET)
  - Group benefits – subgroup in society and valued by donors interested in assisting that group
  - Public benefits – benefits that accrue to a significantly large section of the general public that it can be politically supported
  - Trade benefit – offer specific value to supporters, lend reputation, achieve mission shared, privileges of membership, multiple motives
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# Getting the Mix Right



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## So what does this all mean?

- What is your mission?
  - What array of services and activities is essential to effectively achieving this mission?
  - Who benefits, what are they worth to those that receive them?
  - What can consumers, donors, government agencies, institutional partners, volunteers, members be asked to contribute or pay for them?
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- What would be the notional income mix?
  - What problems could be anticipated in securing payments and what adjustments need to be made to reflect this?
  - What are the financial risks of the income mix?
    - Too much reliance on one income source, instability of income sources, interaction of sources.
  - Strategies to close deficit gap – profitable services cross subsidy, endowment, cultivating trust to build more stable fundraising.
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# Developing Your Board Project

## **ALUMNI ANNIVERSARY LUNCH**

### **Lunch in the Boardroom – a Chair in a Pickle**

Join the CPNS Alumni for a lively conversation with Australia's most experienced and forthright nonprofit board chairs. Dr Robert Fitzgerald AM, Dr Cherrell Hirst AO, Ian Donaldson AM, Emeritus Prof Dennis Gibson AO, Bruce Bonyhady, Gerard Pender AO and Jennifer Robertson are some of the nonprofit chairs who will be part of a moderated conversation about "Things I wish I'd known as a New Chair".

5 December QUT – Visit our Web site

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Prof Myles, may I be excused?  
My brain is full