

# ARACY Access Grid

## Issues in measuring the contribution of not for profits



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# **Contribution of the not-for-profit sector**

**Presiding Commissioner: Robert Fitzgerald**

**Associate Commissioner: Dennis Trewin**

**Productivity Commission**

# The contribution of the not-for-profit study

## Terms of Reference

- Measuring the contribution of the sector
- Improving efficiency and effectiveness:
  - Regulation – registration, reporting, fundraising
  - Workforce issues
  - Funding sources
- Government funded service delivery
- Evolving relationships with business and government
- Taxation- competitive neutrality, philanthropy

# Key issues

Sector is complex and diverse- strengths and weaknesses

- *-most have little involvement with government or business*
- *-some highly dependent*

- Greater pressure to demonstrate impacts
- Regulatory environment is fragmented with high compliance costs
- Workforce constraints are growing
- Tension in government funding and contracting
- Taxation arrangements out of date

Yet

- Government and business want to engage
- Social innovation (eg social enterprise) strongly supported
- Sector growing in economic significance

Need for an enabling environment that reflects current needs

# A way forward

## Five foundations for not-for-profit reform:

- Developing better knowledge systems
- Streamlining the regulatory framework
- Building skills in governance, promoting workforce sustainability and access to capital
- Stimulating social innovation
- Building relationships for collaboration and effective engagement
  - *Especially the delivery of government funded services*

## Economic contribution of the sector

- 600 000 NFPs in 2007, *up from 520 000 in 1996*
- 59 000 'economically active' in 2007
  - Contributed \$43 billion to GDP, 4.1% of GDP *up from \$21 billion in 2000*
  - Gross value added has grown in real terms by 7% per year from 2000 to 2007
  - Employ 890 000 staff, *up from 604 000 in 2000*
  - Total income was \$76 billion
  - 34% from government (includes government funded services)

## Contribution by volunteers with NFPs

- 4.6 million volunteers contributed 623 million hours, worth \$15 billion in 2007  
*Up from 3.2 million volunteers in 1995*
- Proportion of adults volunteering has grown from 24% to 35% since 1995,
- Median hours volunteered has fallen (74 hours in 1995 to 56 hours in 2006)
- Share of young people volunteering has risen (17% in 1995 to 32% in 2006)
- Proportion volunteering in community services, and total hours volunteered, has fallen (181 million hours in 2000 to 135 million in 2006)

# Some Statistics about Children and Youth Services

- Derived from Australian Community Survey of community welfare agencies (ACOSS)
- Number of people turned away as % of total people assisted in 2007-08 – highest two categories are Child Welfare (49%) and Youth (30%).
- What services and supports are most needed?
  - Long term housing (23%)
  - Child welfare (1.2%)
  - Youth (nil)4% include child welfare services in top 5 most needed services

# A consolidated regulatory framework

- Establishment of a national Registrar for Community and Charitable Purpose Organisations
  - Consolidate Commonwealth regulation for incorporation of NFPs
  - Endorse Commonwealth tax concession status
  - Register NFPs for cross-jurisdictional fundraising
  - Complaints handling
  - Single portal for lodging annual reports -could undertake financial health checks (report once, use many times)  
One annual report could cover corporate governance, financial, community purpose statements and fund raising requirements
- A new Commonwealth Incorporation of Associations regime
- Migration across legal types and jurisdictions should be facilitated
- A new statutory definition of charitable purpose

## Strengthening relationships: government funded services

- Governments should choose the model of engagement with NFPs that best suits the characteristics and circumstances of the service being delivered
  - *Client directed*
  - *Purchaser provider – competitive or negotiated*
  - *Collaborative – short or extended life*
  - *Grants*

# Strengthening relationships: government funding

- Improve the quality of Government engagement with NFPs
  - Clarity about the extent of funding of a service
    - with full funding for services that the government would otherwise deliver
    - where only contributory, identify level of contribution
  - Assess value for money on a full value basis that includes spillovers
  - Prepare a comprehensive risk management framework to guide sharing and management of risk, and costs of bearing risk
  - Match length of service agreements to reflect the period required to achieve agreed outcomes- multiple year, rolling contracts

# Strengthening relationships: government funding

- Improve the quality of Government engagement with NFPs
  - Adopt a flexible approach to the lead agency model, assessing full costs
  - Consider master agreements and pre-qualifying panels to reduce contracting costs- centralised corporate health checks
  - Report once -use many times
  - Respect agency 's independence and limit requirements to only those essential to meet agreed outcomes
  - Always return information requested in a value added form back to providers

# Consultation process

- Feedback on the draft report is welcomed by 24<sup>th</sup> November.
- The consultation process will commence soon and run through November
  - To register interest in participating, or to make a submission please contact the Commission on:  
[nfp@pc.gov.au](mailto:nfp@pc.gov.au)
- Final report to Government 31<sup>st</sup> January 2010
- Further information and access to appendices see:  
<http://www.pc.gov.au/projects/study/not-for-profit>



## **Measuring the Outcomes of Community Organisations**

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HEALTH AND HUMAN SERVICES



Thank you for your participation

Join discussion on ***Contribution of the not-for-profit sector***  
on our online discussion forum (ARACY members only) at:

<http://www.aracy.org.au/member/forum/>

A copy of this PowerPoint and an audio recording of the presentations can  
be viewed online from Friday 13 November

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