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**Submission to the Assistant Treasurer**

***Federal Budget Submission 2011***

**February 2011**

**Introduction**

This submission briefly outlines key issues for Australia’s not-for-profit sector (NFPs) over the coming financial year and provides a summary of the emerging budget implications for government and the NFP sector. It has been prepared through a process of consultation with membership of the Community Council for Australia (see Appendix 1 listing of CCA members) and key organisations in the not-for-profit sector.

It is important to note that this submission does not replicate the policy positions outlined in the individual budget submissions from our members, but is focused on the broader issues associated with government, NFPs and the Australian community described under the following sub-headings:

1. NFP reform agenda
2. Fair Wage case
3. NFP role across government programs and services
4. NFP engagement and innovation.

There is also a budget implications summary section that considers the financial implications of each of these key issues for both government and NFP expenditure and savings.

CCA recognises the need for fiscal restraint and increased expenditure in response to natural disasters. CCA also recognises that real reform requires real commitment from government and other key stakeholders.

The Community Council for Australia welcomes this opportunity to provide input into the Federal Budget process and would be more than willing to engage in further discussion about any of the issues raised in this submission.

**The Community Council for Australia**

The Community Council for Australia is an independent, non-political member-based organisation dedicated to building flourishing communities primarily by enhancing the extraordinary work and effort undertaken within the not-for profit sector in Australia. CCA seeks to change the way governments, communities and the not-for-profit sector relate to one another. This includes establishing a regulatory environment that works for community organisations and not against them.

The mission of (CCA) is to lead by being an effective voice on common and shared issues affecting the contribution, performance and viability of not-for-profit organisations in Australia through:

* providing thought and action leadership
* influencing and shaping sector policy agendas
* informing, educating, and assisting organisations in the sector to deal with change and build sustainable futures
* working in partnership with the government, the business sector, and the broader Australian community.

**Key issues for the 2011 financial year**

1. **NFP reform agenda**

The NFP sector contributes around $43 billion per annum to GDP per annum, encompasses over 600,000 organisations both large and very small, and employs almost 900,000 staff or 8% of all employment in Australia. These economic figures only tell a small part of the story. The real contribution of the NFP sector is their contribution to the quality of life we all experience in Australia. They are at the heart of our communities and are what makes us resilient as a society.

Despite the fact that the NFP sector is bigger than tourism or agriculture or communications, it has not benefitted from the kind of strategic reform that these other sectors have experienced. As a consequence there is an immense amount of wasted time, effort and energy associated with the running of many NFPs across Australia. A great deal of this waste is driven by poor government administration imposing onerous reporting and accountability requirements that serve very limited purposes. This is compounded by the range of regulatory bodies at each level of government, and the seemingly unquenchable thirst from bureaucracies and others for more information about the actions rather than the impact of not-for-profit organisations.

The issue of NFP reform has been on the agenda of Federal and State governments for well over a decade. Recent reviews including the Productivity Commission Report into the Contribution of the Not-For-Profit Sector in 2010, Senate Inquiry into Disclosure Regimes for Charities and not-for-profit organisations 2008, and the review of Australia’s Future Tax System 2010, all made significant recommendations about the need for reform within the NFP sector and within government.

Perhaps most importantly in the context of 2011 financial year, The Treasury have recently released a ‘Scoping study for a national not-for-profit regulator’ which brings together many of the key recommendations from Australian inquiries and reports conducted over the last decade, as well as providing comparisons with international experience in the not-for-profit regulatory area.

There are real savings to be made in streamlining government interactions with the not-for-profit sector, although achieving maximum savings will require a significant initial investment. The key areas where all recent reports agree there are significant savings to be made include:

* establishing one national regulator for not-for-profits rather than the current myriad of local, State and Federal bodies
* creating a single portal for not-for-profit registration and reporting that allows key organisational information to be reported once to a central government agency, and then used by all other government and non-government funding and contracting services as the basis of any reporting and engagement process
* establishing clear government reporting requirements based on an outcomes focus (social impact where relevant) with differing requirements according to scope and size of the not-for-profit role.

At any given moment there are hundreds, if not thousands, of bureaucrats around Australia seeking reports from NFPs or completing compliance information. These endeavours generate significant work, but offer very limited benefit in terms of real accountability or transparency. Significant investment in NFP reform will generate major ongoing savings in the longer term, but the investment in NFP reform must begin in the 2011 financial year.

1. **Fair Wage case**

The likely increase in wages within the community sector is a critical issue for both NFPs and governments across Australia.

While at this stage it is impossible to say what the outcome of the Fair Wage case will be, all the available information suggests it is prudent to assume an increase in wages will be imposed on NFPs at some stage during the 2011 financial year. The scope, size and date of any proposed wage increase is currently unknown, but if the initial predictions are accurate, the likely impact on government and NFPs will reach billions of dollars.

In considering the probable Fair Wage case likely outcomes, the CCA believes the following four principles must underpin any policy decisions:

1. fair pay (all employees should receive fair pay)
2. 100% cost recovery (expecting NFPs to subsidise government service contracts that do not meet the full cost of service provision, including wages, is not acceptable)
3. engagement (individual organisations may have specific issues in relation to the wage increase implications that need to be considered through a process of active engagement from government and other contractors of NFP services)
4. efficiency (support for increased efficiencies within the NFP sector, where appropriate).

The Federal government is the largest single source of funding for community organisations in Australia contributing approximately 40% of all community service funding within NFPs (Australian Community Sector Survey, ACOSS 2009).

Within not-for-profits, wages are by far the largest expense in providing community services.

Independent of any other capacity building activities or engagement with the not-for-profit sector, it will be critical for a large part of the sector that the Federal government actively support the outcomes of the Fair Wage case.

1. **NFP role across government programs and services**

CCA members have been concerned for some time that the role of NFPs is often not factored into the planning or implementation of major government programs and services. In specific areas such as welfare services, arts or overseas aid for example, relevant government departments may maintain ongoing relationships with many NFPs. It is important, however, to acknowledge that the majority of NFPs are not directly connected to any particular government department or area of contracted service provision. Even those NFPs that do have an ongoing relationship with government often lament the degree to which they are forced into a reactive rather than proactive relationship.

There are many areas of government activity where NFPs have not been factored into planning and implementation. This failure to appropriately engage and invest in NFPs is reflected in some of the major policy areas such as the roll out of broadband, developing a price for carbon, regional development across Australia, transport and infrastructure planning, and other major government initiatives.

The unofficial standing of NFPs is also reflected in failures to include NFPs in government programs such as the recent flood assistance grant programs that were made available to small businesses and primary producers in Queensland, while NFPs in the same regions were not eligible to apply for assistance. In some cases this meant a ‘thrift shop’ run to raise money for a particular charity could receive no assistance after being flood damaged while the shops next door both received immediate grants and concessional loans to re-establish their operations.

Given the critical role played by NFPs in our community, it is clear that in almost every area of significant national policy planning or implementation, government strategy will be enhanced through direct engagement with NFPs. If the Federal government is genuinely interested in delivering policy and practice that strengthens individual and community well-being, the real role of NFPs must be factored into all policy planning and implementation.

Ideally, CCA would like to see an NFP impact statement attached to all major policy initiatives across government, even where the impact is considered to be secondary to the primary policy goal.

1. **NFP engagement and innovation.**

Reports to CCA about NFP engagement with government indicate that the relationship between NFPs and government officials is not one in which the views of the NFP are always respected. While this is not always the result of poor management from government bureaucracies, there is substantive room for improvement in the way government engages with the not-for-profit sector.

One area where the lack of strategic engagement between government and NFPs is quite critical is the capacity of NFPs to propose innovative solutions to priority issues including the environment, local culture, recreation, welfare, health, employment, education and other areas of NFP activity.

CCA believes all government contracting and funding of NFPs should have the capacity to allow for innovative proposals to be considered. All too often bureaucracies pre-determine the scope of an issue and the way solutions should be implemented with little involvement of NFPs and even less opportunity for NFPs to propose responses to the identified issues. This top down approach to working in communities from the Federal government does not acknowledge or leverage local knowledge and expertise.

At present NFPs who feel they could make better use of their existing resources in serving their community or members often have limited capacity to change or offer innovative new ways of achieving desired outcomes. While some NFPs are able to seek funding from private philanthropy and others have begun developing their own income streams, there are a large number of NFPs who have very limited capacity to trial or put forward ideas that may fall outside existing bureaucratic limitations.

Enhancing NFP engagement would be better achieved if there was a dedicated NFP innovation fund established that encouraged NFPs to provide proposals addressing key government and community priorities. The structure and operation of this fund would require cross-government collaboration. It would also require some form of seed funding and possibly a small levy across various government program areas to support innovation. The positive outcome would be a capacity to support innovative NFP proposals addressing specific areas of government interest.

**Budget Implications**

In considering the budget implications of the key issues outlined in this paper, it is necessary to make a number of assumptions about issues that are relatively difficult to assess. This budget outline assumes:

* a finding in the Fair Wage case for an increase of approximately 20% in community sector salaries
* a conservative number of EFT staff salaries within Federal bureaucracies no longer engaged in regulation and compliance activity as the NFP reform processes reduces duplication and red tape
* the capacity to more effectively engage with NFPs being a redevelopment of current Federal bureaucracy activity and responsibility rather than a new add on program
* the capacity to develop NFP innovation funds based on a small levy system of perhaps 1% of all government administrative costs being directed to this purpose.

Given the above assumptions, this indicative budget represents a starting point for further discussion and more detailed economic modelling. It should be noted that excluding the likely outcomes of the Fair Wage case, the broader NFP reforms generate significant savings for both governments and NFPs.

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| **Government** | | | | | | |
| **Area of Activity** | **Expenditure** | | | **Savings** | | |
|  | 2011/12 | 2012/13 | 2013/14 | 2011/12 | 2012/13 | 2013/14 |
| 1. NFP reform | $5 million | $5 million | $4 million | -- | $10 million | $20 million |
| 2. Fair Wage case | $0.5 billion | $1 billion | $1 billion | -- | -- | -- |
| 3. NFP role in policies | $2 million | $2 million | $2 million | -- | -- | $5 million |
| 4. NFP innovation | $3 million | $5 million | $5 million | -- | $7 million | $7 million |
| **Total (Excluding Fair Wage Case)** | **$11 million** | **$12 million** | **$11 million** | **--** | **$17 million** | **$32 million** |

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| --- | --- | --- | --- | --- | --- | --- |
| **Not-for-profit** | | | | | | |
| **Area of Activity** | **Expenditure** | | | **Savings** | | |
|  | 2011/12 | 2012/13 | 2013/14 | 2011/12 | 2012/13 | 2013/14 |
| 1. NFP reform | -- | -- | -- | -- | $10 million | $20 million |
| 2. Fair Wage case | $0.1 billion | $0.2 billion | $0.3 billion | -- | -- | -- |
| 3. NFP role in policies | -- | $1 million | $1 million | -- | $2 million | $2 million |
| 4. NFP innovation | -- | $1 million | $1 milion | -- | $2 million | $2 million |
| **Total (Excluding Fair Wage Case)** | -- | **$2 million** | **$2 million** | **--** | **$14 million** | **$24 million** |

**Conclusion**

As noted in the introduction, CCA has taken a broad view of Federal budget priorities for the Australian NFP sector. Individual areas and organisations (including CCA members) will be seeking to have specific programs funded and supported.

Achieving broad reform will take time and investment, but the returns in the longer term will be significant for government, not-for-profits and the broader community.

The not-for-profit sector is too large and too important not to become a more significant player in good public policy and community practice across Australia.

Investment in enabling the role of NFPs to be more efficient and effective will ultimately deliver flourishing communities where economic growth and participation, engagement and belonging become fundamental aspects of all communities across Australia.

**Attachment 1**

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**List of Members – The Community Council for Australia**

**1 January 2011**

1. Aboriginal Employment Strategy Ltd. – Danny Lester
2. Associations Forum Pty. Ltd – John Peacock
3. Australian Indigenous Leadership Centre – Rachelle Towart
4. Australian Institute of Superannuation Trustees – Fiona Reynolds
5. Connecting Up Australia – Doug Jacquier
6. Good Beginnings Australia – Jayne Meyer Tucker
7. HammondCare – Stephen Judd (Director)
8. Illawara Retirement Trust – Nieves Murray
9. Lifeline Australia – Dr Maggie Jamieson
10. Maroba Lodge Ltd. – Viv Allanson
11. Mental Health Council of Australia – Melanie Cantwell Acting CEO
12. Mission Australia – Toby Hall (Director)
13. Musica Viva Australia – Mary Jo Capps
14. Opportunity International Australia – Rob Dunn
15. Philanthropy Australia – Deborah Seifert
16. RSPCA Australia – Heather Neil
17. Social Ventures Australia – Michael Traill
18. Surf Life Saving Australia – Brett Williamson
19. The ANZCA Foundation – Ian Higgins
20. The Benevolent Society – Richard Spencer
21. The Big Issue – Steven Persson
22. The Smith Family – Paul Henderson, Acting CEO
23. The Centre for Social Impact – Peter Shergold
24. Volunteering Australia Inc. – Cary Pedicini
25. Wesley Mission – Keith Garner
26. WorkVentures Ltd. – Arsenio Alegre
27. World Vision Australia – Tim Costello (Chair)
28. YMCA Australia – Katherine Pengilly