



**Submission to:**

**The Treasurer of the Commonwealth of Australia,  
The Hon. Joe Hockey MP.**

***CCA Federal Budget Submission 2015/16***

**January 2015**

## Introduction

This submission outlines six measures the Community Council for Australia (CCA) believes will significantly strengthen Australia's not-for-profit (NFP) sector and drive real economic savings for government over the coming financial year and beyond. These measures have been informed by consultation with CCA members (listed in *Attachment A*) and key organisations in the NFP sector.

It is important to note that this submission does not override the policy positions outlined in any individual budget submissions from CCA members.

Following a brief background to CCA, the six proposed measures are listed. This is followed by an overview of the current issues for the NFP sector; further details about the proposals including likely costs; and a budget projection.

CCA recognises the environment of fiscal restraint in response to changing economic circumstances and therefore asks for only an additional \$2.4 million over three years. CCA also identifies significant savings to be made through more effective and efficient government engagement with the NFP sector. If Australia is to increase community ownership of local issues and build a sustainable NFP sector, there needs to be a genuine commitment to the sector from government and other key stakeholders. Implementing the measures outlined in this submission would demonstrate government commitment and deliver better outcomes for the community.

CCA welcomes this opportunity to provide input into the Federal Budget process and to engage in detailed discussion about any issues this submission raises.

## The Community Council for Australia

The Community Council for Australia is an independent non-political member based organisation dedicated to building flourishing communities by enhancing the extraordinary work undertaken by the charities and not-for-profit sector in Australia. CCA seeks to change the way governments, communities and not-for-profits relate to one another. It does so by providing a national voice and facilitation for sector leaders to act on common and shared issues affecting the contribution, performance and viability of NFPs in Australia. This includes:

- promoting the values of the sector and the need for reform
- influencing and shaping relevant policy agendas
- improving the way people invest in the sector
- measuring and reporting success in a way that clearly articulates value
- building collaboration and sector efficiency
- informing, educating, and assisting organisations in the sector to deal with change and build sustainable futures
- providing a catalyst and mechanism for the sector to work in partnership with government, business and the broader Australian community to achieve positive change.

Our success will drive a more sustainable and effective charities and not-for-profit sector in Australia making an increased contribution to the well-being and resilience of all our communities.

## Summary of proposed budget measures

The following proposals have been developed following extensive discussions and feedback from CCA members and other key stakeholders. Each measure would deliver real savings to government over the longer-term. Each proposed measure is outlined in more detail from page four.

- 1. Provide Deductible Gift Recipient (DGR) status to all registered charities with an initial exemption of organisations for the advancement of religion and education. This measure to be completely funded by limiting Fringe Benefits Tax (FBT) concessions; namely capping meals allowances and limiting multiple claiming of FBT concessions.**
- 2. Establish a Social Finance Taskforce (as recommended by the Senate Economics References Committee) to identify and promote better access to capital for NFPs.**
- 3. Continue supporting the Australian Charities and Not-for-profits Commission (ACNC) to ensure an independent and effective process in determining charitable status, building public confidence in the sector and driving government red tape reduction.**
- 4. Increase philanthropy by enabling employers to establish 'opt out' systems of workplace giving based on 0.5% salary sacrifice.**
- 5. Boost sector investment and productivity by increasing certainty in government funding, concessions, incentives and regulations.**
- 6. Work with the NFP sector to develop a future blueprint for the sector, including extensive consultation; economic modeling of future scenarios; strategies to capitalise on emerging opportunities and respond to emerging risks and limitations.**

CCA believes these measures could be delivered within the next two years at very minimal cost (see budget projection). They would not only provide future government savings, but also offer real benefits to the NFP sector and the broader Australian community.

## **Context: not-for-profit reform**

The NFP sector contributes over \$55 billion to GDP per annum, encompasses over 600,000 organisations - from large to very small, and is estimated to employ over one million staff (or eight per cent of all employees in Australia). Each year it turns over more than \$100 billion, and it holds over \$175 billion in assets.

In the last decade, sector growth has continued at approximately 7% a year, greater than any other industry group.

These figures tell only a small part of the story. The real value of the NFP sector is often in the unmeasured contribution to Australian quality of life. NFPs are at the heart of our communities; building connection, nurturing spiritual and cultural expression, and enhancing the productivity of all Australians. In sum, they make us a more resilient society.

The importance of the NFP sector is now being internationally recognised with many governments putting in place measures to increase NFP productivity. Smaller government and bigger community is a common theme, driven in part by savings, but also by a commitment to greater civic engagement and productivity within the NFP sector.

In Australia there are currently various initiatives seeking to promote social enterprise; reduce compliance costs for NFPs; encourage a diversification of financing options to build a more sustainable funding base; streamline and refine the regulation of NFPs and charities; establish less bureaucratic reporting requirements while building community transparency; increase philanthropy and improve relationships between government and the NFP sector. CCA supports all these activities.

The establishment of the ACNC is the first time the NFP sector has had an independent regulator dedicated to serving their needs and enhancing their capacity. It has already proved to be a positive step towards red tape reductions, increased transparency and trust in the community by prospective volunteers and donors.

The recent history of the NFP sector is framed by growth and reform, but there are a number of new issues emerging. The level of individual philanthropic giving has still not recovered to the high in 2008. At the same time, revenue available to governments is effectively falling in real terms against a backdrop of increasing demands and higher community expectations.

There have been numerous reports and recommendations relating to the NFP sector over the last decade, but it is only in recent years that governments have enacted some of these recommendations and embarked on a long overdue process of reform and enhancement.

In the context of recent changes, the NFP sector is slowly but surely finding its voice - building its collective power and seeking real reform that will provide substantial savings to government and tangible benefits to the community.

Given the size of the sector and its critical role in our community, the Federal Government can achieve real economic and social benefits if it chooses to strategically invest in strengthening our communities and our NFPs, by supporting the proposals outlined in this submission.

Now is not the time to seek short term cost savings by cutting government support of a sector that seeks to strengthen communities, build connectedness and increase productivity for all Australians.

## Description of proposed budget measures

- 1. Provide Deductible Gift Recipient (DGR) status to all registered charities with an initial exemption of organisations for the advancement of religion and education. This measure to be completely funded by limiting Fringe Benefits Tax (FBT) concessions; namely capping meals allowances and limiting multiple claiming of FBT concessions.**

The present system of determining Deductible Gift Recipient (DGR) status through the Australian Taxation Office (ATO) favors larger charities that can afford lawyers and lobbyists to assist the progression of their applications. Many smaller NFP and charities do not have the capacity to apply for DGR status, and hence they cannot access the community support that comes when donations are tax deductible. It is a complex, costly and inequitable system – with less than half of all charities having DGR status. It is difficult to justify the distribution of DGR eligibility given the arbitrary and ad hoc manner in which it has developed – all donations made to registered, complying charities should be tax deductible.

With the ACNC determining charitable status, this measure will deliver a fairer system and reduce red tape. This policy is feasible with the initial exemption of organisations for the advancement of religion and education reducing the likely implementation costs to approximately \$120 million per annum. Including all charities would be too costly. Current exemptions for ministers of religion and other concessions based on religious and educational purposes would continue to apply.

Funding to support this measure could come from capping the FBT entitlements for meals allowances and not allowing individuals to claim more than one FBT concession (please see the CCA submission to the NFP Tax Concessions Working Group for further details).

***This measure is estimated to be revenue neutral in the first instance. Initial projected expenditure of approximately \$120 million is offset by equivalent savings in ending uncapped FBT entitlements.***

- 2. Establish a Social Finance Taskforce (as recommended by the Senate Economics References Committee) to identify and promote better NFP access to capital.**

In its report *‘Investing for good: the development of a capital market for the not-for-profit sector in Australia’* the Senate Economics References Committee recommended the establishment of a high profile Social Finance Taskforce similar to taskforces established in both the UK and Canada. The following is taken from the Executive Summary of this report:

*‘The Taskforce should build on the work of this inquiry and provide recommendations to government on the capacity of the sector, its access to capital, enhancing the role of intermediaries and simplifying the sector’s legislation and regulations.’*

CCA perceives this role as critical in the development of a longer term sustainable strategy to enhance the work of the NFP sector while reducing its dependency on government.

It is recommended that this group also consider the potential use of dead money accounts and unclaimed funds. This time limited Social Task Force should align its efforts with the emerging work of Impact Investing Australia.

This measure would require a two year investment from government to support establishment, the preparation of initial reports and implementation of recommendations.

**Cost to government is estimated to be in the order of \$1 million each year for two years.**

**3. Continue supporting the Australian Charities and Not-for-profits Commission (ACNC) to ensure an independent and effective process in determining charitable status, building public confidence in the sector and driving government red tape reduction.**

The ACNC has established a positive reputation among NFPs and the broader community, based upon an outstanding first two years of operation. In its second report to the Parliament of Australia the ACNC outlined achievements including:

- 50,000+ charities registered with the ACNC providing on line searchable annual information statements,
- 4,500+ new charities registered with an average registration time of less than half what previously applied under the ATO,
- 500+ complaints received about charities resulting in more than 100 serious investigations,
- 6000+ defunct charities have had their charitable status revoked, and
- 1.5 million+ views of the ACNC website including over 1 million searches of the on-line charities register
- 70,000+ calls and 75,000+ emails have been responded to while maintaining a more than 90% satisfaction with their services.

Administrative savings are being delivered to the NFP sector as a result of the increasing uptake of the ACNC Charities Passport and State and Territory governments are seeking new levels of collaboration.

The role and function of the ACNC has been clearly established. The NFP sector and the broader community like what it is doing. Repeated surveys have shown that over 80%of the sector and 80%of the community value having a national regulator of charities (*Pro Bono News pre-election survey, ACNC survey of public trust and confidence*).

CCA supports expanding the role of the ACNC to further strengthen the sector, cut red tape and build public confidence. It is a long overdue initiative that is clearly benefiting our communities.

***The annual budget for the ACNC is less than \$15 million per annum, much of which is saved through reduced requirements for government officials to undertake similar functions within other agencies.***

**4. Increase philanthropy by enabling employers to establish 'opt out' systems of workplace giving based on 0.5% salary sacrifice.**

CCA strongly believes that increased community engagement and financial contributions to NFPs produces a net benefit to governments as well as to the communities NFPs serve. It is short-term and narrow thinking to treat increased philanthropy and social impact investment as a government loss. The whole community benefits if so-called 'foregone revenue' has been directed to strengthen communities, increase economic and social activity and improve health and well-being. This is particularly the case if the money involved avoids the significant transfer costs of moving into, through, and out of government. Philanthropy and social investment are about encouraging greater ownership of local issues by strengthening the role of the NFPs and reducing the size of government.

When in place, 'opt out' systems have ensured much higher levels of success in workplace giving programs. With the current 'opt in' for existing worker systems, less than 3.5% of Australian workers are in a workplace giving program. If this could increase to 10 % of Australian employees donating 0.5 per cent of their pre-tax income, over a quarter of a billion dollars would be raised through workplace giving. This is a very realistic target that would provide a substantial increase in philanthropy and engagement of Australians in the broader NFP sector.

***CCA anticipates there would be no additional costs to government in this measure.***

## **5. Boost sector investment and productivity by increasing certainty in government funding, concessions, incentives and regulations.**

This measure is focused on achieving a more stable financial and regulatory framework for all not-for-profits, particularly in relation to government funding and interaction with the sector.

A recent series of CEO Forums across the country run by CCA with the support of key organisations clearly showed that uncertainty of government funding was a critical barrier in reducing investment in the future sustainability of organisations. This applies to not just recurrent government funding, but also tax concessions and incentive programs. The government needs to actively consider initiatives such as:

- an agreed notice period of six months prior to the ending of any major government contract, incentive or concession
- increasing the time period of government contracts where possible to at least five years
- more transparent and accessible processes for reviewing the performance by NFPs
- more transparent and accountable processes for government funding decisions relating to NFPs.

Certainty might also be increased if there was an independent, closed feedback loop to monitor and evaluate the health of the relationship between government and NFPs. Experience in other sectors has shown that where a feedback process can be established that does not focus on public blame and retribution, system change can be driven through active feedback and better information exchange.

CCA would like to establish a national feedback exchange program based on regular feedback collections from the NFP sector and the involvement of other key stakeholders in addressing emerging concerns from the sector and government departments. Providing avenues to pursue positive improvements in this relationship is central to achieving real change.

***CCA anticipates these measures would produce savings with very limited (mostly internal) outlays.***

**6. Work with the NFP sector to develop a future blueprint for the sector, including extensive consultation; economic modeling of future scenarios; strategies to capitalise on emerging opportunities and respond to emerging risks and limitations.**

The future of Australia's NFP sector is too important to our economy and our communities to grow in an ad hoc manner with little comprehensive planning or strategic investment. At present there is no plan, no strategy and no real projection about the future viability or even the sustainability of the current levels of growth across the NFP sector. The effective development of a blue print will include developing clear goals and measures of what the NFP sector is seeking to achieve.

CCA has been in discussions with a number of groups including leading NFP groups, trusts and foundations, major corporate and finance bodies, and others who have expressed a strong interest in participating in and contributing to the development of a blueprint for the NFP sector. All these groups have recognized the importance of this work and some have already contributed to the *CCA Owning Our Future Forums* in important areas such as better using existing assets within the sector.

With the federal government as a joint partner and supporter (and not the sole contributor), a forward looking blueprint for the NFP sector could be in place within 12 months.

***CCA anticipates the cost to government would be in the order of \$300,000***

### **Budget implications (costings)**

In considering the budget implications of the six key measures outlined in this submission, CCA has taken a relatively conservative approach to the projection of new direct costs for government. It would be difficult for the real benefit of each recommendation to be costed accurately, including the quantified costs and benefits of increased employee giving. Consequently, CCA has provided a direct costs budget which does not seek to quantify the many benefits or identify indirect costs (such as potential foregone revenue). This budget represents a starting point for further discussion and more detailed economic modelling.

It is important to note that CCA believes the measures proposed in this budget submission will generate significant long-term savings for governments, NFPs and the communities they serve.

Area of Activity	Expenditure \$ million		
	2015/16	2016/17	2017/18
1. DGR status to charities / capped FBT	-	-	-
2. Social Finance Task Force	1.0	1.0	
3. Maintain ACNC (already in budget allocations)	-	-	-
4. Increasing support for philanthropy	-	-	-
5. Boosting productivity	-	-	-
6. Future blueprint for the NFP sector	0.3	0.1	-
<b>Total</b> (excluding savings except FBT capping and ACNC offsets)	<b>\$1.3 million</b>	<b>\$1.1 million</b>	-



## **Conclusion**

This submission promotes Federal Government measures to strengthen the NFP sector that deliver real economic and social benefits for governments and our communities.

There are undoubtedly many individual NFP organisations (including CCA members) that will be seeking to have the federal government fund specific measures for the benefit of their own clients and communities. Most of these budget proposals from the NFP sector are important and have real merit.

At the same time, CCA believes that over the past two decades, the NFP sector as a whole has not benefited from any detailed economic analysis by governments across Australia. This is despite the very considerable contribution the broader NFP sector makes in terms of employment, productivity and community resilience.

There is now a strong international trend for governments to recognise the importance of driving reform in the way they governments engage with their communities and the NFP sector. The harsh reality for most governments is that income levels are stalling while demand for services continues to increase. Part of the solution to this tension is achieving real productivity within government and the NFP sector. Achieving these gains however, requires more than window dressing documents and hopeful edicts. Achieving positive change will rather require an initial investment in time and resources.

This submission asks for a commitment of only \$2.4 million over three years, and offers significant amount to the increased efficiency, effectiveness and sustainability of the sector. Given the size of the sector and its value to governments and our communities, this is a nominal amount with great opportunities for community development and future savings.

The NFP sector is too large and too important to be left on the margins of economic debates and major policy reforms within Australia. Government investment in enabling NFPs to be more efficient and effective will ultimately deliver stronger, more resilient and productive communities across Australia.

## Current Membership – Community Council for Australia *Attachment A*

### Organisation

### CEO/Director

2Realise

Rowena Stulajter

Access Australia’s National Infertility Network

Sandra Dill

Alcohol Tobacco and Other Drugs Association  
ACT

Carrie Fowlie

ANEX

John Ryan

Australian Council for International  
Development

Marc Purcell

Australian Healthcare and Hospitals  
Association

Alison Verhoeven

Australian Indigenous Leadership Centre

Rachelle Towart

Australian Institute of Superannuation  
Trustees

Tom Garcia

Australian Major Performing Arts Group

Bethwyn Serow

Australian Women Donors Network

Julie Reilly

Canberra Men’s Centre Inc

Greg Aldridge

beyondblue

Georgie Harman

Charities Aid Foundation

Lisa Grinham

Church Communities Australia

Chris Voll

Churches of Christ Community Care VIC & TAS

Paul Arnott

Community Colleges Australia

Kate Davidson

Compass Housing Co Ltd

Greg Budworth

Connecting Up Australia

Anne Gawen

### Drug Arm Australasia

### Dr Dennis Young (Director)

e.motion21

Cate Sayers

ethicaljobs.com.au

Michael Cebon (Associate Member)

Family Life Services Australia

Jo Cavanagh

Foresters Community Finance

Belinda Drew

Foundation for Alcohol Research and  
Education

Michael Thorn

Foundation for Young Australians

Jan Owen

Fundraising Institute of Australia

Rob Edwards

### Good Beginnings Australia

### Jayne Meyer-Tucker (Director)

HammondCare

Stephen Judd

**Hillsong Church**

**Lifeline Australia**

**Life Without Barriers**

Maroba Lodge Ltd

Missions Interlink

Mission Australia

**Musica Viva Australia**

Opportunity International Australia

Our Community

Philanthropy Australia

Port Phillip Housing Association

PowerHousing Australia

Pro Bono Australia

Relationships Australia

**RSPCA Australia**

SANE

SARRAH

Save the Children

St John Ambulance Australia

Social Ventures Australia

The Australian Charities Fund

**The Benevolent Society**

The Big Issue

The Centre for Social Impact

The Reach Foundation

**The Smith Family**

The Ted Noffs Foundation

Variety Australia

Volunteering Australia

**Wesley Mission**

**World Vision Australia**

YMCA Australia

Youth Off The Streets

YWCA Australia

**George Aghajanian (Director)**

**Jane Hayden (Director)**

**Claire Robbs (Director)**

Viv Allanson

Pam Thyer

Catherine Yeomans

**Mary Jo Capps (Director)**

Robert Dunn

Denis Moriarty (Associate Member)

Louise Walsh

Karen Barnett

Lisa Grinham

Karen Mahlab (Associate Member)

Alison Brook

**Heather Neil (Director)**

Jack Heath

Rod Wellington

Paul Ronalds

Peter LeCornu

Michael Traill

Edward Kerr

**Anne Hollonds (Director)**

Steven Persson

Andrew Young

Sarah Davies

**Lisa O'Brien (Director)**

Wesley Noffs

Neil Wykes

Brett Williamson

**Rev Keith Garner (Director)**

**Rev Tim Costello (Chair)**

Ron Mell

Fr Chris Riley

Dr Caroline Lambert