

A
growing
industry

A snapshot of Victoria's
community sector charities



About VCOSS

The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS works to ensure that all Victorians have access to and a fair share of the community's resources and services, through advocating for the development of a sustainable, fair and equitable society. VCOSS members reflect a wide diversity, with members ranging from large charities and sector peak organisations, to small community services, advocacy groups and individuals involved in social policy

VCOSS recognises the traditional owners of country and pays its respects to Elders past and present.

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Executive summary

This report quantifies the size and scale of the Victorian community sector and its contribution to Victoria's economy and society. It is based on charities reporting data from the Australian Charities and Not-for-profits Commission's (ACNC) 2015 Annual Information Statement.

Overall, our analysis points to a strong and growing sector contributing significantly to the state.

The key findings in this report are:

- There are 4,485 community sector charities based in and operating in Victoria.
- The sector employs more than 150,000 people, representing five per cent of Victoria's workforce.
- It employs more people than the state's mining, real estate and arts industries combined.
- The sector has an approximate annual income of \$11.5 billion, including \$5.6 billion in government grants.

- Nearly two-thirds of organisations operate a balanced budget.
- A further 24 per cent run a budget surplus (just 13 per cent recorded a deficit in 2015).
- Burdensome red tape costs Victoria's community sector charities nearly \$12 million annually.

This is the third report produced by VCOSS using the ACNC data. This report represents the most detailed snapshot of Victoria's community sector charities ever created.

Most of the community sector is categorised by the Australian Bureau of Statistics within the health and social assistance industry. Other parts of the sector are

categorised in the education industry (e.g. early childhood education and care) or professional services (e.g. legal services).

Over the past decade, employment in the health and social assistance industry in Victoria has grown by 56 per cent. It is the state's largest industry, followed by retail trade, which grew just 16 per cent in the same period, and manufacturing, which declined by 13 per cent.

It is only since the ACNC data has been available that VCOSS has been able to separate the community sector from public and for-profit services.

Comparisons with the 2014 data have been made where appropriate.



Background

The Victorian community sector is large and complex. It comprises many thousands of organisations providing a wide range of services and receives billions of dollars of income from governments, philanthropists and through service fees and donations. The sector is a large and growing employer and it also enlists many volunteers in various roles including governance, service delivery, administration and fundraising.

Many community sector organisations are registered charities with the Australian Charities and Not-for-profits Commission (ACNC), the regulator of Australian charities. As part of its regulatory role, the ACNC collects information from registered charities in an Annual Information Statement (AIS). The collated data from the AIS creates a snapshot of registered charities and is reported in the Australian Charities Reports.

This report analyses the 2015 AIS data from Victorian community sector charities and covers the size and diversity of the sector, its contribution to Victoria's economy and the costs borne by the sector in meeting its government reporting requirements. It builds on VCOSS' 2015 report, *Strengthening the state*, and 2016 report, *More than charity*, based on the 2013 and 2014 AIS respectively.

This report defines 'Victorian community sector' as those charities based and operating in Victoria that nominated one of the following as their 'main activity' in 2014-15: aged care activities, civic and advocacy activities, economic, social and community development activities, emergency relief, employment and training, housing activities, income support and maintenance,

international activities, law and legal activities, mental health and crisis intervention, other education, other health service delivery, and social services.

The More than charity report included charities that listed their main activity as 'other' but reported delivering one or more of the 13 activities in the 2014 AIS. In 2015, no Victorian charities reported their main activity as 'other' so this category is not used in this report.

In a change from the 2013 and 2014 AIS reporting, associated charities were permitted to report as one group charity. For example, the Salvation Army – Southern comprises five separate registered charities but reports as one organisation. There were 21 such group organisations representing 72 Victorian community sector charities in the 2015 AIS. Charities reporting in groups have been counted as one charity in this report.

The 2015 AIS collected data on volunteers, which was not collected in 2014. Aside from this addition, the 2014 and 2015 AIS collected similar data and allow for some analysis of change. However, caution should be used in drawing conclusions about

the differences between the years because there is only two years of data and significantly more Victorian community sector charities reported in 2015 than in 2014.

VCOSS' three reports provide strong, standalone snapshots of Victorian community sector charities using the data available from the ACNC.

Victoria's community sector charities

This report analyses Annual Information Statement (AIS) 2015 data collected by the ACNC for the community sector charities both based and operating in Victoria. Table 1 compares the number of these registered charities in 2015 to the number reported in the AIS data collection for the previous two years (2013 and 2014).

Table 1: Types of charities categorised as community sector charities for this report

Main activity as specified in the AIS	No. of charities 2013	No. of charities 2014	No. of charities 2015	Change from 2014	Types of charities represented in the ACNC data
Aged care activities	226	266	300	34	Residential aged care, meals on wheels, community care, hostels
Civic and advocacy activities	66	83	106	23	Peak and advocacy organisations for disability, women's health, child abuse and neglect, culturally and linguistically diverse groups
Economic, social and community development	359	499	626	127	Neighbourhood houses, Aboriginal community-controlled organisations, youth services, men's sheds
Emergency relief	317	216	277	61	Emergency relief services, State Emergency Services, neighbourhood houses
Employment and training	111	136	145	9	Adult education, youth services, Local Learning and Employment Networks, neighbourhood houses, employment services
Housing activities	123	159	212	53	Community housing, housing co-operatives, housing support groups
Income support and maintenance	25	31	56	25	Trusts/foundations/information and support centres
International activities	47	90	113	23	Aid organisations
Law and legal activities	36	44	48	4	Community legal centres, legal aid
Mental health and crisis intervention	65	98	123	25	Mental health, crisis support, drug and alcohol services
Other education	790	969	1,132	163	Kindergartens, early childhood services, U3A
Other health service delivery	264	336	441	105	Community health, Aboriginal health co-operatives, women's health services
Social services	243	316	906	590	Family services, foster care, community support, sexual assault services, disability services, services for culturally and linguistically diverse communities, family violence services, LGBTBI services
Other		313			Charity that conducted one or more main activities above
Sub total	2,672¹	3,556²	4,485	929	Community sector charities

¹These charities were included in the 2015 VCOSS report *Strengthening the state: A snapshot of Victoria's community sector charities*.

²These charities were included in the 2016 VCOSS report *More than charity: Victoria's community sector charities*.



The number of registered charities classified as Victorian community sector charities increased by 929 between 2014 and 2015. Reasons for this include:

- 110 Victorian charities registered with the ACNC for the first time between 1 July 2014 and 30 June 2015, and would not have completed a 2014 AIS. Some of these were community sector charities.
- Charities have changed their main activity between the years of data collection to be counted as community sector charities. This may partially explain the large increase in social services charities and other education charities.

- More organisations completed the AIS in 2015 (44,670) than in 2014 (37,242), Australia-wide.

When comparing the AIS data between 2014 and 2015, it is evident that some organisations reported a different 'main activity' across the two years. Therefore, any change in sub-sector data should be interpreted with caution when comparing movements by main activity. For example, the number of charities reporting emergency relief as their main activity dropped by 101 organisations between 2013 and 2014 but then increased by 61 in 2015.

Size of community sector charities

As shown in Figure 1, the majority of Victoria's community sector charities (57 per cent, 2,561 charities) were small charities (with annual revenue of less than \$250,000). Nineteen per cent (843) were medium-sized (annual revenue of \$250,000 to \$1 million) and 24 per cent (1,081) were large (revenue greater than \$1 million).

Figure 2 shows that more charities completed the AIS between 2014 and 2015 in all size categories, with a large increase in the number of small charities in particular. This is likely to be due to greater compliance with ACNC reporting requirements.

Figure 1: Community sector charities by size, Victoria

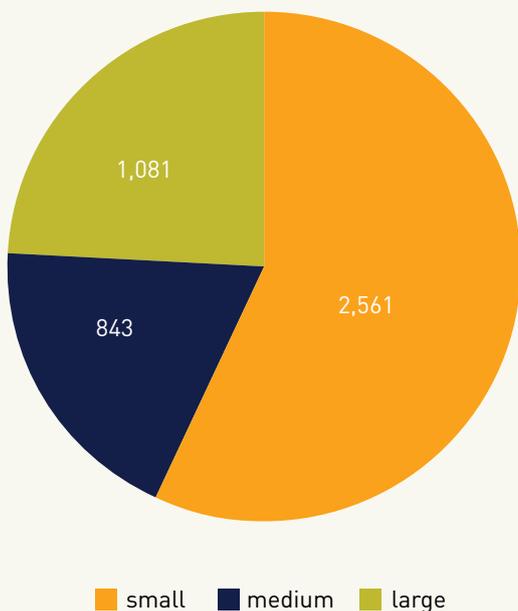
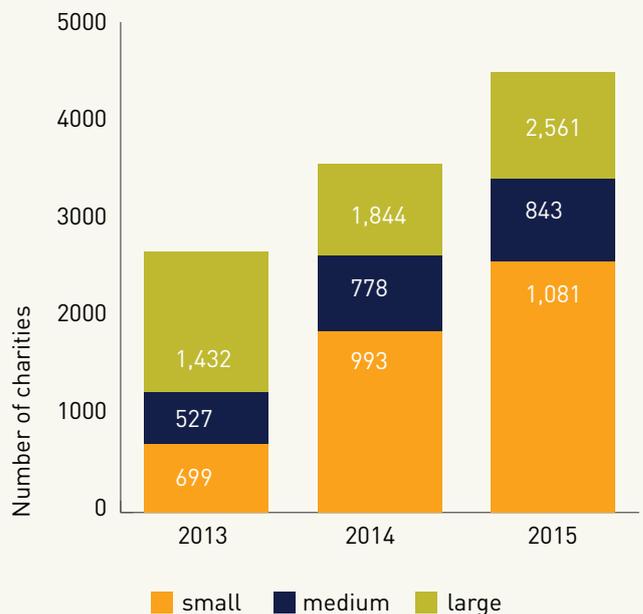


Figure 2: Community sector charities by size 2013-2015



Contribution to the economy

Employment

Total employment

The charitable sector is a large and growing employer. *The Australian Charities 2015* report revealed the entire registered charities sector employs more than one-tenth of Australia's workforce.³ The data below show the significant contribution of community sector charities to Victorian employment.

Analysis of the ACNC 2015 AIS data shows that as of November 2015, Victorian community sector charities employed 150,650 people. This represents about five per cent of employed Victorians.⁴

In 2015, 49,254 Victorian community sector charity employees were full-time workers (33 per cent), 68,090 (45 per cent) were part-time workers and 33,306 (22 per cent) were in casual roles (see Figure 3).

The AIS data shows greater total employment in Victorian community sector charities in 2015 compared with the previous two years (Figure 4). However, caution should be taken in attributing this solely to growth in sector employment. There was a change in the questions used to collect the data between 2013 and 2014, with the 'casual' work category being added. The increase between 2014 and 2015 could be due partly to the greater number of charities reporting in 2015.

However, now that charities are annually reporting to the ACNC and there is greater reporting compliance, we believe the 2015 data contains the most accurate figure – 150,650 workers – to quantify employment in Victorian community sector charities. It provides a baseline figure for future analysis of change.

Figure 3: Victorian community services charities sector – number of paid workers

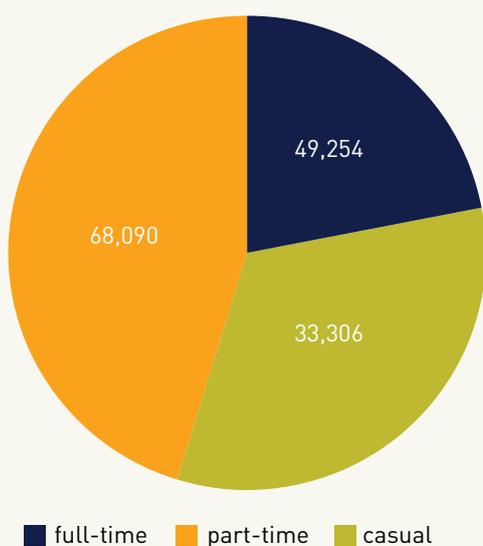
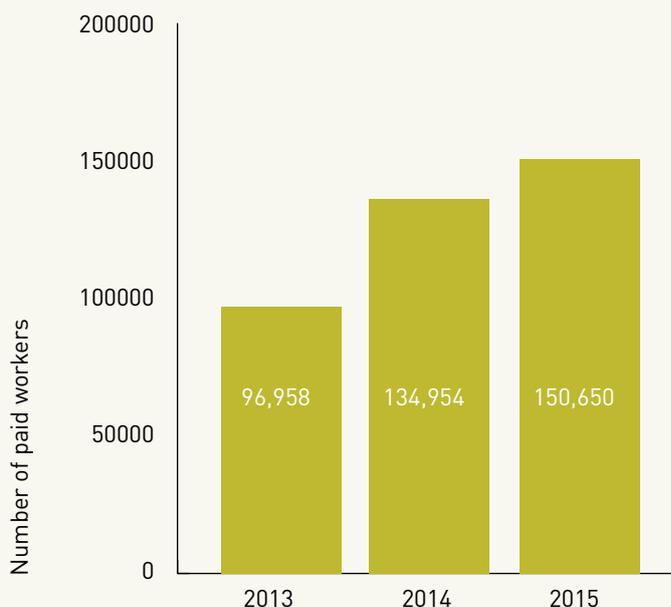


Figure 4: Victorian community services charities sector – number of paid workers 2013-2015



³Australian Charities and Not-for-profits Commission, *Australian Charities Report 2015*, p.44.

⁴Australian Bureau of Statistics, *Labour Force, Australia, Detailed, Quarterly*, Cat No. 6291.0.55.003, November 2015.



Employment by charity size

Table 2 shows the number of workers in the sector by charity size and employment status.

Table 2: Paid workers by size of charity

Charity size	No. of charities	Number of full-time workers	Number of part-time workers	Number of casual workers	Total number of paid workers
Small	2,561	523	1,916	1,419	3,858
Medium	843	1,372	3,888	2,356	7,616
Large	1,081	47,359	62,286	29,531	139,176
Total	4,485	49,254	68,090	33,306	1150,650

Large community sector charities (with annual revenue greater than \$1 million) employ more than 90 per cent of Victorian community charity sector workers, despite making up only about one-quarter of charities in the sector. The 1,081 large charities employed 129 people on average in 2015. The large charity workforce included:

- 47,359 full-time workers (34 per cent)
- 62,286 part-time workers (45 per cent)
- 29,531 casual workers (21 per cent).

Medium-sized charities (annual revenue of \$250,000 to \$1 million) employ seven per cent of the total sector workforce, across 778 organisations. This is an average of 11 workers per medium-sized organisation. The medium-sized charity workforce included:

- 1,372 full-time workers (18 per cent)
- 3,888 part-time workers (51 per cent)
- 2,356 casual workers (31 per cent).

Small charities (annual revenue of less than \$250,000) employ three per cent of the total sector workforce, across 1,844 organisations. This is an average of two workers per small organisation. The small charity workforce included:

- 523 full-time workers (14 per cent)
- 1,916 part-time workers (50 per cent)
- 1,419 casual workers (37 per cent).

Contribution to the economy (cont.)

Employment by charity main activity

In 2015, the sub-sector employing the greatest number of people was social services, with 37,850 employees. It was also the largest sub-sector employer of full-time workers (14,278 or 38 per cent of social service workers).

The second largest sub-sector by employment was aged care activities, with 34,632 employees (23 per cent). However, aged care service organisations employed fewer full-time workers (4,691 or 14 per cent of aged care workers).

Table 3 shows the breakdown of workers employed across the sector by the main activity nominated in their charity's AIS.

Table 3: Paid workers by charity type

Main activity	Full-time	Part-time	Casual	Total employees
Aged care activities	4,691	21,755	8,186	34,632
Civic and advocacy activities	384	323	229	936
Economic, social and community development	2,869	3,347	2,831	9,047
Emergency relief	681	610	403	1,694
Employment and training	6,082	3,776	1,748	11,606
Housing activities	1,287	1,234	713	3,234
Income support and maintenance	22	15	7	44
International activities	1,043	300	119	1,462
Law and legal activities	929	339	62	1,330
Mental health and crisis intervention	1,509	1,377	434	3,320
Other education	7,680	7,901	5,988	21,569
Other health service delivery	7,799	11,506	4,621	23,926
Social services	14,278	15,601	7,965	37,850
Total	49,254	68,090	33,306	150,650



Volunteers

The vast majority of Victorian community sector charities (3,877 or 86 per cent) are supported by unpaid volunteer workers. Combined, these charities reported an unpaid volunteer force of about 486,000 people. In 2014, it was estimated that Victoria had 1.5 million people working as volunteers.⁵ Victorian community sector charities engage just under one-third of these people.

Volunteers by charity size

Large community sector charities engaged more than 300,000 volunteers, around 63 per cent of all community sector volunteers (Figure 5). Medium-sized charities engaged about 72,000 volunteers (15 per cent of all community sector volunteers). Small charities engaged 107,000 volunteers (22 per cent).

Volunteers by charity main activity

The largest numbers of volunteers were reported by charities undertaking civic and advocacy activities as their main activity (110,930). This was followed by those operating in the social services (90,273), other health service delivery (73,663) and other education (69,404) categories (see Table 4).

Figure 5: Volunteers by charity size

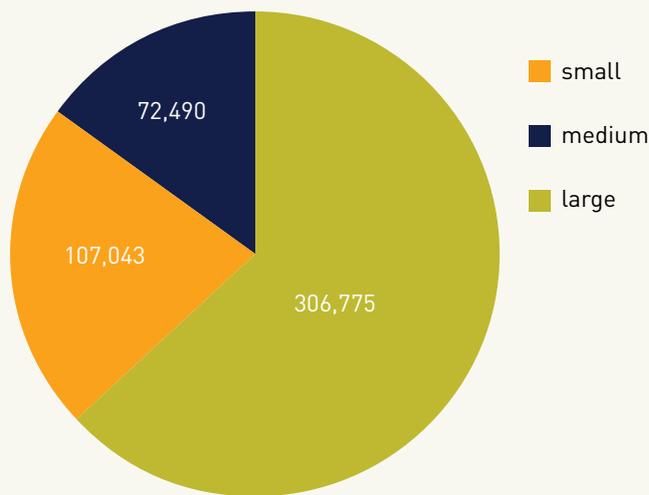


Table 4: Volunteer numbers by main charity activity

Main activity	Number of volunteers
Aged care activities	34,535
Civic and advocacy activities	110,930
Economic, social and community development	33,540
Emergency relief	34,724
Employment and training	14,546
Housing activities	4,215
Income support and maintenance	3,406
International activities	8,167
Law and legal activities	3,745
Mental health and crisis intervention	5,160
Other education	69,404
Other health service delivery	73,663
Social services	90,273
Total	486,308

⁵Australian Bureau of Statistics, *General Social Survey, Summary Results, Australia, State and Territory 2014, Table 22, Cat. no. 4159.0, 2015.*

Contribution to the economy (cont.)

Income

Sources of income

This is now the second year charities registered with the ACNC have needed to provide financial information, meaning comparisons can be made between the two years.

Victorian community sector charities received a combined income of almost \$11.5 billion in 2014-15. This is a five per cent (or \$55.5 million) increase from 2013-14.

Less than half of the 2014-15 sector income was generated from government grants. Table 5 shows these grants accounted for almost \$5.6 billion (48 per cent), making them the single biggest source of income. Donations and bequests raised \$1.2 billion (11 per cent) for community sector charities, while other income (such as fees and service charges) generated almost \$4.3 billion (37 per cent).

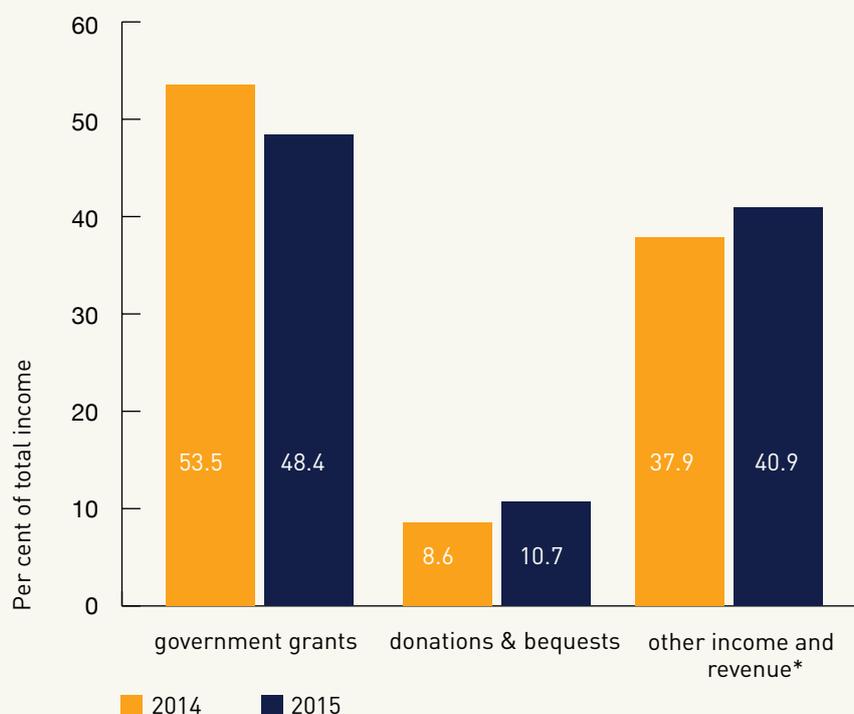
Figure 6 shows the change in income source as reported in the 2015 AIS compared with the 2014 AIS. Victorian community sector charities reported they received proportionally less income from government grants in 2015 than in 2014, while donations and bequests and other income and revenue increased.

Table 5: Income source of community sector charities

Income source	% of charities that received income from this source	Total income \$million	% of total gross income
Government grants	43.7	5,556.8	48.4
Donations and bequests	60.4	1,232.8	10.7
Other income	2,869	3,347	2,831
Other revenue (e.g. sale of assets)	21.8	416.4	3.6
Total gross income		11,485.5*	100

*Total gross income figure does not equal sum of totals due to data being self-reported and auto-calculation options not being available when data was entered by charities.

Figure 6: Income source (per cent) 2014 and 2015



**Other income and revenue' combines 'Other income' and 'Other revenue' in Table 4.



Income source by charity size

Large community sector charities raised almost \$4.4 billion in other income and revenue and \$1.1 billion in donations and bequests in 2014-15.

Medium-sized community sector charities raised \$205 million in other income and revenue and \$72 million in donations and bequests. These charities received almost \$146 million from government grants in 2014-15, a slight increase from the previous year.

Small charities received more than \$92 million in other income and revenue and \$42 million from donations and bequests. Small charities also received \$34 million from government grants.

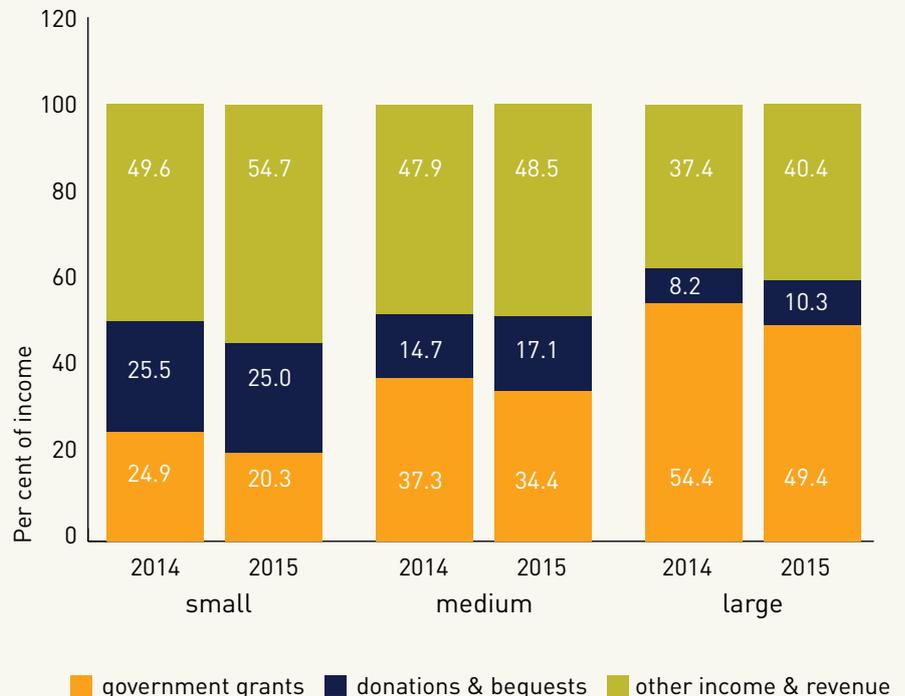
Large community sector charities were more reliant on government grants than small and medium charities in 2015, with 49 per cent of their income coming from government grants, compared with 34 per cent for medium-sized charities and 20 per cent for small charities (Figure 7). These proportions are lower than in 2013-14 (54 per cent for large, 37 per cent for medium and 25 per cent for small).

The proportion of income from donations and bequests increased slightly for large charities, from 8.2 per cent in 2014 to 10.3 per cent in 2015. Medium-sized charities also increased the proportion of their income from donations and bequests, from 14.7 per cent to 17.1 per cent. However, the proportion of small charities' income from donations and bequests fell slightly, from 25.5 per cent in 2014 to 25.0 per cent in 2015.

Table 6: Income source by community sector charity size (\$)

Income source	Small	Medium	Large
Government grants (\$million)	34.2	145.9	5,376.7
Donations and bequests (\$million)	42.1	72.4	1,118.3
Other income and revenue (\$million)	92.2	205.2	4,398.9
Total gross income (\$million)	168.5	423.5	10,893.5
Total gross income (\$million)	168.5	423.5	10,893.5

Figure 7: Income source by community sector charity size (per cent): 2014 and 2015



Contribution to the economy (cont.)

Income source by charity main activity

The social services sub-sector received more income than other sectors, with a reported income of more than \$2.5 billion in 2014-15 (see Table 7). This is approximately 22 per cent of Victorian community sector charity income. The aged care sub-sector was the second largest by income, with about \$2.1 billion in 2014-15.

The social services sub-sector also received the most in government grants (\$1.8 billion) in 2014-15, with aged care second (\$1 billion). International activities raised the most from donations and bequests (\$477 million).

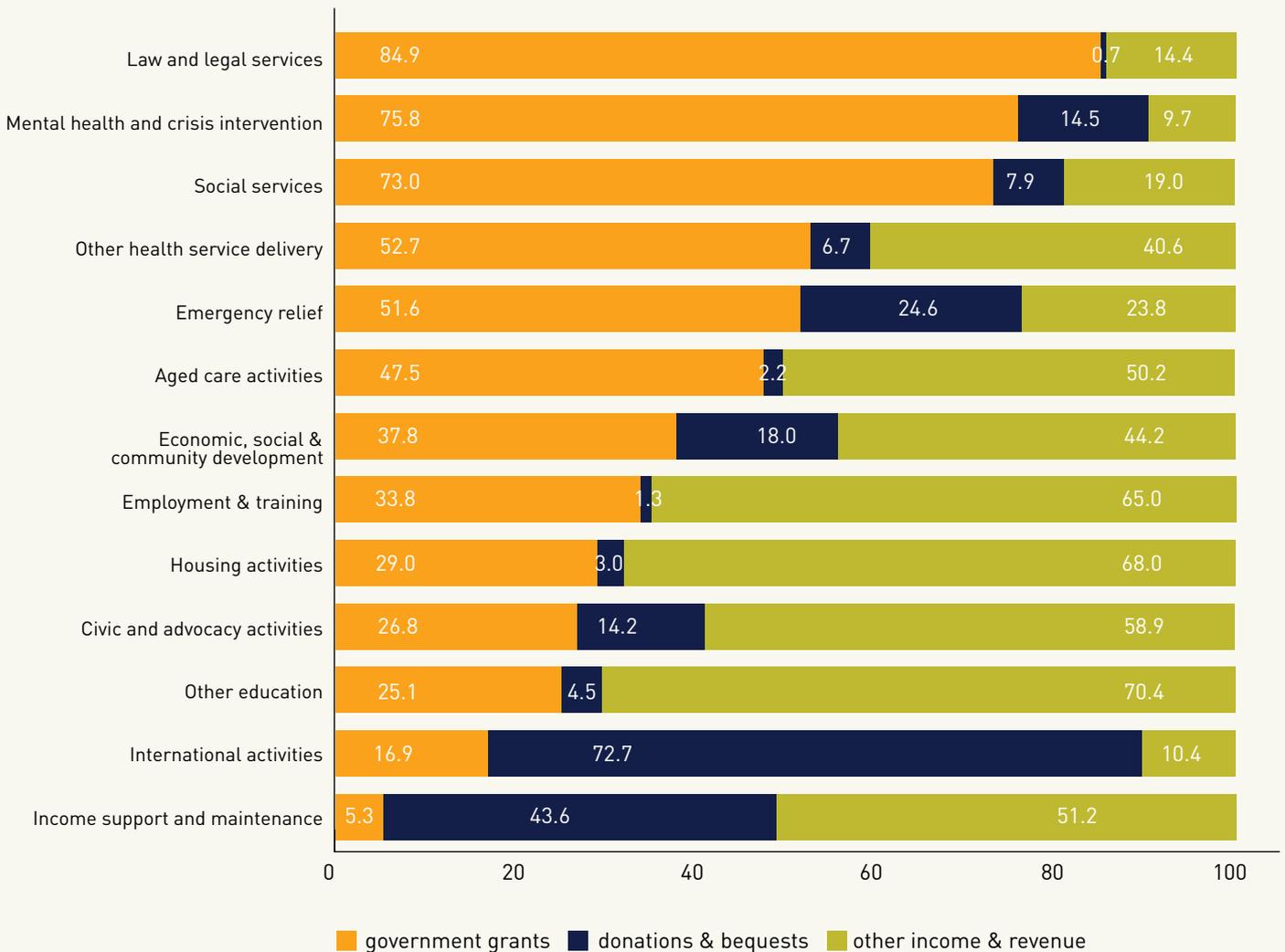
Table 7: Income source by main activity

Main activity	Government grants \$million	Donations and bequests \$million	All other income and revenue \$million	Total gross income \$million
Aged care activities	1,007.2	46.8	1,064.5	2,118.4
Civic and advocacy activities	32.6	17.2	71.5	121.3
Economic, social and community development	300.9	143.5	352.3	796.7
Emergency relief	124.7	59.5	57.5	241.7
Employment and training	259	9.6	498.8	767.5
Housing activities	131.9	13.5	308.8	454.7
Income support and maintenance	0.9	7.6	9.0	17.5
International activities	111.2	477.5	68.2	656.8
Law and legal services	197	1.5	33.4	232
Mental health and crisis intervention	358.8	68.8	45.7	473.4
Other education	331.9	59.6	933	1,323.2
Other health service delivery	1,004.2	126.8	773.9	1,904.8
Social services	1,859.3	201.8	484.9	2,545.8



Community sector charities providing law and legal services were proportionally the most dependent on government grants, which accounted for almost 85 per cent of their income (see Figure 8). Community sector charities engaged in income support and maintenance were the least dependent on government grants, with only 5.3 per cent of their income from government.

Figure 8: Income source by charity main activity (per cent)



Contribution to the economy (cont.)

Expenses incurred

The largest expense area for Victorian community sector charities was employee-related expenses – \$6.5 billion, almost 55 per cent of total expenses. This is almost the same proportion as in 2013-14. Operating expenses (reported as ‘all other expenses’) were the second largest expense category for community sector charities, at \$4.3 billion or 36 per cent of total expenses. This proportion has fallen slightly from 38 per cent in 2013-14.

Expenses by charity size

Large charities spent more than \$6.2 billion on employee-related expenses, more than \$1 billion on grants and donations, and more than \$4 billion on all other expenses (see Table 9).

Medium-sized charities spent \$222 million on employee-related expenses, \$35 million on grants and donations and \$168 million on all other expenses.

Small charities spent \$69 million on employee-related expenses, \$29 million on grants and donations and \$93 million on all other expenses.

The proportion of expenditure on employees increased slightly for large charities, from 54.5 per cent in 2014 to 55.3 per cent in 2015 (see Figure 9). For small and medium-sized charities, the proportion of expenditure on employees fell between 2014 and 2015.

Table 8: Expenses of community sector charities

Expenses	Amount \$million	Per cent of total expenses
Employee expenses	6540.1	54.8
All other expenses	4317.2	35.8
Grants and donations made for use outside Australia	438.1	3.7
Grants and donations made for use in Australia	628.8	5.3
Interest expenses	52.1	0.4
Total expenses	12,018.3*	

*Total expenses figure does not equal sum of totals due to data being self-reported and auto-calculation options being unavailable when data was entered by charities.

Table 9: Expenses by charity size

Expenses	Small	Medium	Large
Employee expenses \$million	69.1	222.2	6,248.8
Grants and donations # \$million	28.9	35.5	1,002.4
All other expenses ## \$million	93.4	167.7	4,056.1
Total expenses \$million	189.8	428.8	11,399.6

Merges ‘grants and donations made for use outside Australia’ and ‘grants and donations made for use in Australia’ included in Table 7.

Merges ‘all other expenses’ and ‘interest expenses’ included in Table 7.



The proportion of expenditure on all other expenses fell from 38 per cent in 2014 to 35.9 per cent in 2015. For small and medium-sized charities, the proportion of expenditure on all other expenses increased between 2014 and 2015.

Expenses by charity main activity

Table 10 shows that social services reported the highest level of expenses overall (\$3 billion), including the largest employee expenses (\$1.8 billion) and operating expenses (\$1.2 billion). The aged care subsector was the second largest in terms of total expenditure (\$2.2 billion), employee expenses (\$1.4 billion) and operating expenses (\$761 million).

Figure 9: Expenses by charity size (per cent)

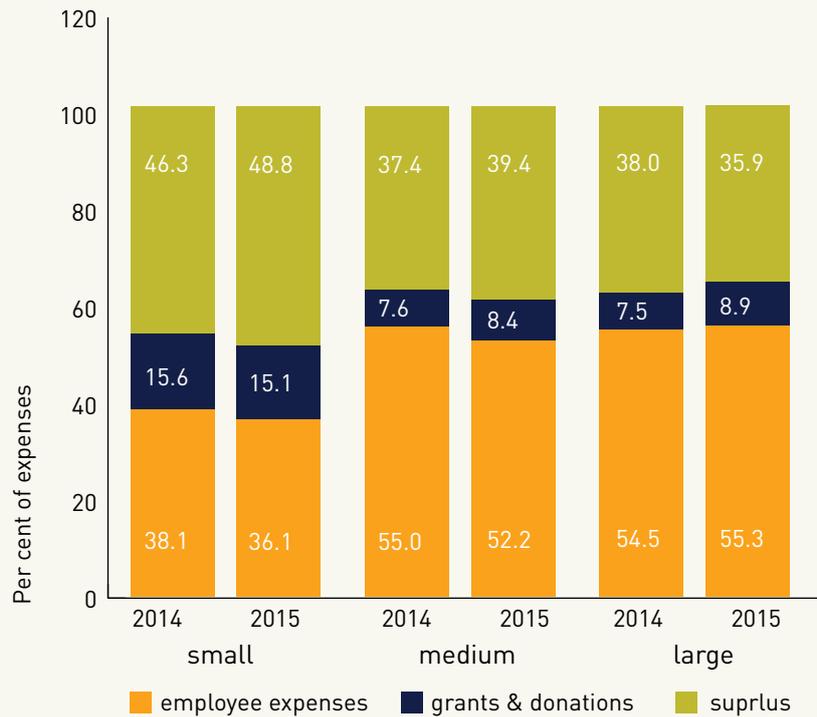


Table 10: Expenses by charity main activity

Main activity	Employee expenses \$million	Grants and donations \$million	All other expenses \$million	Total expenses \$million
Aged care activities	1,422.8	4.7	760.6	2,185.4
Civic and advocacy activities	50.4	12.2	45.4	108
Economic, social and community development	364.5	142.6	282	791.8
Emergency relief	39.5	131.2	60.7	231.4
Employment and training	511.4	2.2	276.9	790.2
Housing activities	152.1	2.4	243	397.8
Income support and maintenance	2.5	2.4	7.7	12.5
International activities	108.3	447.2	82.1	637.6
Law and legal services	101.6	0.1	19.6	219.1
Mental health and crisis intervention	193.6	117.8	125.1	436.6
Other education	662.3	83.5	532.7	1,277.8
Other health service delivery	1,136.9	89.1	687.6	1,913.6
Social services	1,794.3	31.3	1,194	3,016.6

Contribution to the economy (cont.)

Budget position of charities

The financial health of community sector charities affects their ability to deliver vital services to people facing disadvantage. The budget position of these charities provides a snapshot of their financial health. It is not the only measure but is one that is easily available from the AIS provided to the ACNC. The 2015 AIS data (see Figure 10) shows that the majority of Victorian community sector charities (63 per cent) operated a balanced budget for the 2014-15 financial year (defined as reported expenditure being with 20 per cent of reported income). A further 24 per cent were in budget surplus in 2014-15 (surplus greater than 20 per cent of income). This is a small increase on the proportion of charities in surplus from the previous year. Only 13 per cent were in deficit for 2014-15, a slight increase on 2013-14.

Budget position by charity size

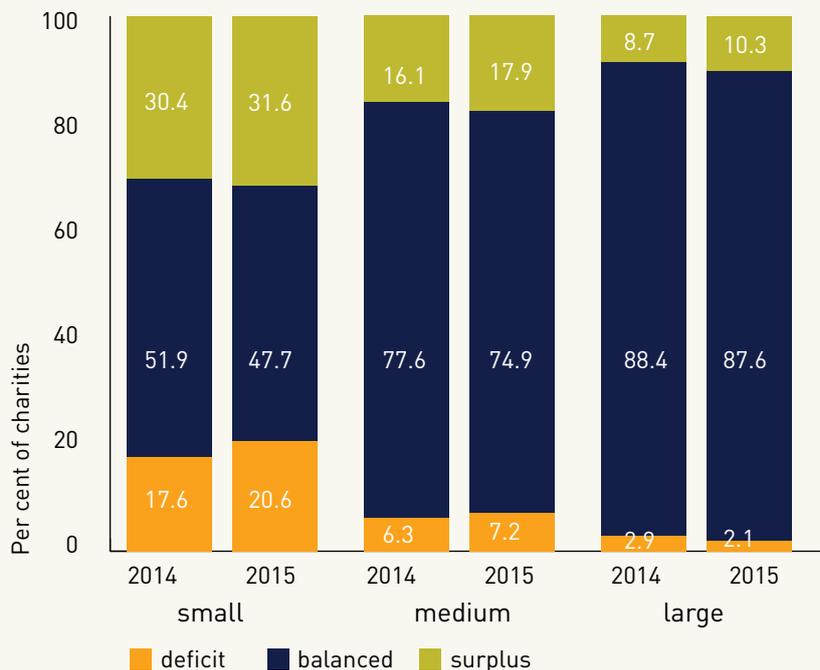
Small community sector charities were more likely to operate budget surpluses and deficits than medium-sized and large charities (Figure 11). Almost 32 per cent of small charities operated budget surpluses, compared with 10 per cent of large charities and 18 per cent of medium-sized charities. Almost 21 per cent of small charities operated budget deficits, compared with only two per cent of large charities and seven per cent of medium-sized charities.

Nearly 88 per cent of large charities operated in budget balance, compared with 75 per cent of medium-sized charities and 48 per cent of small charities.

Figure 10: Budget position of charities (per cent); 2014 and 2015



Figure 11: Budget position of community sector charities by charity size: 2014 and 2015



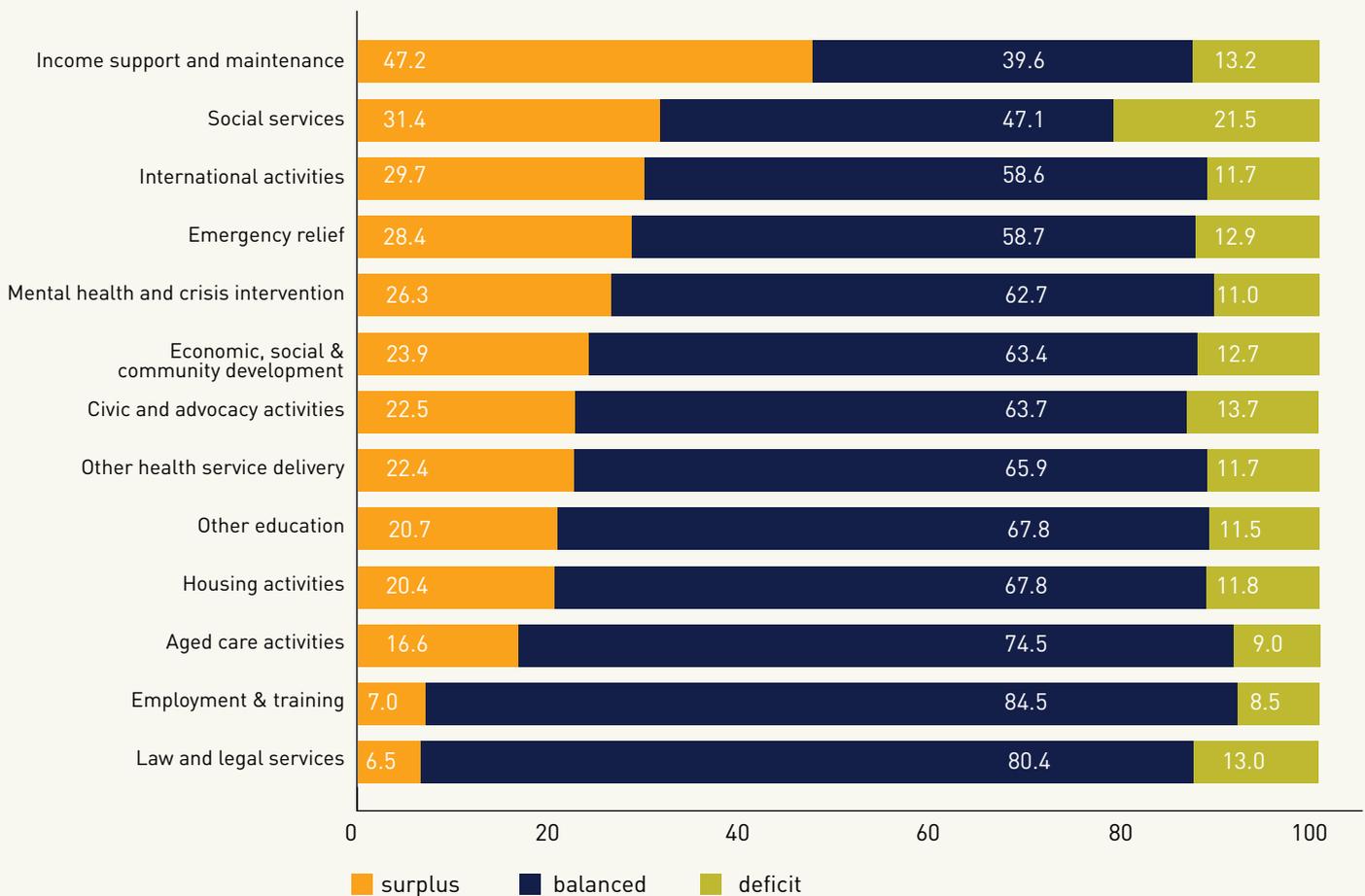


Budget position by charity main activity

Charities undertaking income support and maintenance as their main activity were more likely to operate budget surpluses (Figure 12). Charities where the main activity was social services were most likely to operate budget

deficits – 21 per cent of social service charities had budget deficits in 2014-15. Charities undertaking employment and training as their main activity were most likely to have balanced budgets (85 per cent).

Figure 12: Budget position of community sector charities by main activity



Reporting and regulatory burden

Community sector charities in receipt of government funding must account for their expenditure and activities to ensure funding is used for the designated purpose. Unfortunately, the reporting requirements are often not appropriate for their stated purpose, are replicated across funding streams, impose compliance costs that outweigh the benefits, and are out of proportion with the level of funding or risk associated with it.

The 2015 AIS contained three voluntary questions on reporting to Commonwealth, state and territory government agencies. Reporting was defined as obligations regarding fundraising, grant acquittals or other reporting activities over the 2014-15 financial year, but excluded the Australian Tax Office, the ACNC, and state regulators under incorporated associations or cooperative laws.

Time spent on reporting

Victorian community sector charities spent on average 171 paid staff hours in 2014-15 meeting reporting obligations to Commonwealth and/or state and territory agencies. These charities also spent on average 38 unpaid volunteer hours over the year (Table 11).

Large Victorian community sector charities spent on average more paid hours (362) on reporting obligations than medium-sized (116 hours) and small charities (17 hours).

Large community sector charities used more unpaid volunteer hours (68 hours) on reporting than small (30 hours) and medium-sized charities (54 hours).

Table 11: Average paid and unpaid hours meeting reporting obligations to government: by charity size

Organisation size	Number of charities with paid reporting hours	Average paid worker reporting obligation hours 2014-15	Number of charities with unpaid reporting hours	Average unpaid volunteer reporting obligation hours 2014-15
Small	612	16.8	670	30.1
Medium	364	116.2	178	53.8
Large	601	362.3	93	68.1
Total	1,577	171.4	942	38.3

Cost of reporting

The cost of reporting obligations for Victorian community sector charities has been calculated at about \$11.9 million in 2014-15. The average cost of reporting for large charities was almost \$15,000 (including paid and unpaid hours), compared with \$5,350 for medium-sized charities and \$800 for small charities.

Table 12: Cost of reporting obligations to government in 2014-15⁶

Organisation size	Cost to organisations of paid reporting obligations \$	Average cost per charity for paid reporting \$	Cost to organisations of unpaid reporting obligations \$	Average cost per charity or unpaid reporting \$	Average cost per charity of paid and unpaid reporting \$
Small	331,400	534	210,200	268	802
Medium	1,904,500	4,714	120,900	636	5,350
Large	9,260,900	14,160	65,400	734	14,894
Total	11,496,700	6,847	396,500	373	7,220

⁶ Method used is from R Reeve, I Lee, N Cortis and E Chew, *Australian Charities and Red Tape 2014*, Centre for Social Impact and Social Policy Research Centre, UNSW, 2016.

Summary and discussion

This analysis of the 2015 AIS data for Victorian community sector charities shows a large and diverse sector. The sector is a significant component of Victoria's economy. It is a large employer and is likely to continue to grow in terms of employees, income received and money spent.

While more Victorian community sector organisations reported to the ACNC in the 2015 AIS than 2014, this cannot be attributed to additional organisations forming; it is more likely caused by improved rates of compliance in completing the AIS. Some of the increase could be attributed to more organisations categorising themselves as community sector charities by showing their main activity as one of the 13 that comprise the community sector.

Similarly, the increase in the number of small organisations is likely to be a result of greater compliance and more small charities categorising themselves as 'community sector' than an increase in the number of small community sector charities.

The Victorian community sector employs about 150,000 people. Most of the sector is categorised as part of the health and social assistance industry, which employs about 412,000 people.⁷ The community sector employs more workers than other key industries such as mining (12,200 employees), electricity, gas, water and waste services (40,000), wholesale trade (99,900), information, media and telecommunications (56,600), financial and insurance services (111,700),

rental, hiring and real estate services (52,300) and arts and recreation (52,600).⁸ It is similar in size to transport, postal and warehousing (146,200) and public administration and safety (162,600).⁹

The Victorian community sector is also growing and is expected to employ many more people in coming years. This is due to population growth, an aging population and the implementation of the National Disability Insurance Scheme (NDIS). The health and social assistance industry has been projected to grow by more than 16 per cent between 2015 and 2020 and the community sector is expected to grow at a similar, if not greater, rate. Employment growth in the sector must be planned. Community sector charities need to be sure they can attract qualified, skilled staff in the locations where jobs are expanding.

The community sector raised income of about \$11.5 billion in 2014-15. Government grants comprised about 48 per cent of this income. About 37 per cent was operational income such as fees and charges, while 11 per cent was from donations and bequests. The remaining was other revenue such as from the sale of assets. Government grants fell as a proportion of income, from about

53 per cent in 2014. Income from donations and bequests and operational income increased as a proportion of total income from 2014 to 2015.

Victorian community sector charities remain in a healthy financial position generally. In 2014-15, about 63 per cent of these charities operated a balanced budget, while a further 24 per cent had a budget surplus. Only about 13 per cent operated a deficit budget, up from 11 per cent the previous financial year.

Victorian community sector charities continue to face a costly reporting burden. About \$12 million was spent on reporting requirements in 2014-15. While this is relatively small compared with the total income of the sector, it could be pared back by more streamlined reporting requirements between and within government departments and tiers of government.

The environment in which the Victorian community sector charities operate has been in a constant state of change for many years. This has been driven by changes in government policy, approaches to government operations and social factors that have increased demands on services. For example, the National Disability Insurance Scheme is generating large growth in the number of people with



disability getting access to services, as well as changing the way people with disability interact with services. The growth of the community sector will require a larger workforce, while the changes in service delivery will require new skills and attributes amongst workers and managers. At the same time, new reporting and oversight regimes will be put in place as new funding rolls out, requiring new technology.

In planning for the future workforce, there is an expectation the proportion of casual employees employed by the community sector charities (currently about 22 per cent of the workforce) will grow. This expectation has arisen from uncertain government funding and changing funding systems (such as under the NDIS). The proportion of people employed on a casual basis by community sector charities is worth monitoring over time.

As the sector grows, so too will its income and expenditure. The increase in income reported from the 2014 to the 2015 AIS is most likely due to greater compliance but would include some growth in the size of the charities' workforce. One point of note is the decline in income from government grants as a proportion of total income from the 2013-14 to the

2014-15 financial year. It is not possible to conclude that government funding to the sector is becoming less significant, but it is worth watching in the future. One possible cause could be the funding changes announced in the 2014 Federal Budget and the retendering of services by the Department of Social Services.

The regulatory burden on community sector charities is large, though there was substantial variation in the AIS data from 2014 to 2015. The variability is probably from the voluntary nature of the questions. It is worth monitoring over time.

This report highlights the ongoing economic contribution made by Victorian community sector charities. It is a significant and growing industry, a growing employer operating diverse revenue streams and mainly running balanced or surplus budgets. Its main role is to strengthen society and provide vital services to Victorians. By recognising the community sector as an essential and growing industry, reducing unnecessary regulatory requirements and providing some certainty of funding, governments can ensure that the sector continues to support vulnerable Victorians and develop a fairer Victoria.

⁷ Australian Bureau of Statistics, Labour Force, Australia. Detailed, Quarterly Cat. No. 6921.0.55.003, February 2017.

⁸ Ibid.

⁹ Ibid.

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