2017 Annual Information Statement

Joint Councils of Social Service Network submission to the Australian Charities and Not-for-profit Commission (ACNC)

October 2016

About the Councils of Social Service

The nine Councils of Social Service (COSSes) are the respective National, State and Territory peak bodies of the community services sector and a voice for the needs of people affected by poverty and inequality. The Councils are:

- The Australian Council of Social Service (ACOSS)
- The Australian Capital Territory Council of Social Service (ACTCOSS)
- The Council of Social Service of New South Wales (NCOSS)
- The Northern Territory Council of Social Service (NTCOSS)
- The Queensland Council of Social Service (QCOSS)
- The South Australian Council of Social Service (SACOSS)
- The Tasmanian Council of Social Service (TasCOSS)
- The Victorian Council of Social Service (VCOSS)
- The Western Australian Council of Social Service (WACOSS)

This submission has been prepared for the COSS Network. It has been authorised by the Chief Executive Officer of each Council.

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           Full-time staff (35 hours or more per week)
           Part-time staff (less than 35 hours per week
   Of these staff, during the last pay period how many staff were employed on the following basis?
           Permanent or ongoing
           Fixed term contract
           Casual

3. The AIS be used to ensure that charities provide up-to-date details for all responsible persons.

   Option 2 is the best option: A charity should be prevented from submitting an AIS unless they confirm that their responsible person details are up to date.

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Introduction

ACOSS and the State and Territory Councils of Social Service (COSSes) are supported by their members and have long argued for a national charity regulator to increase levels of trust and accountability in charities.

> *"We (ACOSS) argued strongly for a nationally consistent approach to reduce overly burdensome but ineffective charity regulation. We advised Government on the legislative detail, structure and guiding principles of the emerging regulatory framework. We built coalitions supporting effective measures and developed alliances opposing others that would undermine independence, proportionality or the integrity of the reform.*
>
> *Transparency and accountability of charitable and non-profit organisations had always been at the heart of this agenda. By the time the ACNC was established in 2012, ACOSS and sector colleagues had been advocating this reform for more than a decade. But once an idea, driven by charities for years, had taken hold, the process to design, establish and implement the national charity regulator became Government-led."[1]*

The COSSes welcome this opportunity to provide feedback on the 2017 Annual Information Statement (AIS).

The COSSes consider the Australian Charities and Not-for-profits Commission (ACNC) must be able to achieve its three legislative objects:

(a) to maintain, protect and enhance public trust and confidence in the Australian not-for-profit sector; and

(b) to support and sustain a robust, vibrant, independent and innovative Australian not-for-profit sector; and

(c) to promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector.[2]

To deliver on these, the ACNC needs to produce easily analysed AIS data to inform advocacy and profile different sub-sectors of the charitable sector. Community sector charities comprise a large proportion of the charitable sector[3], making up almost a third of all charities with completed AIS's.[4]

Many of the COSSes have commenced using the data including:

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[1] Boyd-Caine, T. *Lead or be left behind: Sustaining trust and confidence in Australia's charities*. Report on Fulbright Professional Scholarship in Non-profit Leadership, 2016
[2] Australian Charities and Not-for-profits Commission Act 2012 (Cth) (ACNC Act):
[3] This includes organisations across charities that list their main activities in the AIS as: aged care activities; civic and advocacy activities; economic, social and community development; emergency relief; employment and training; housing activities; income support and maintenance; international activities; law and legal activities; mental health and crisis intervention; other education (not schools), other health service delivery (not hospitals); and social services
[4] Using data in: Cortis, N., Lee, I., Powell, A., Simnett, R. and Reeve, R., *Australian Charities Report 2014*. Centre for Social Impact and Social Policy Research Centre, UNSW Australia, 2015/
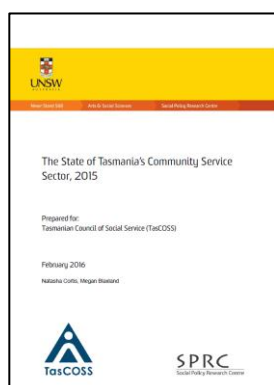
The Victorian Council of Social Service
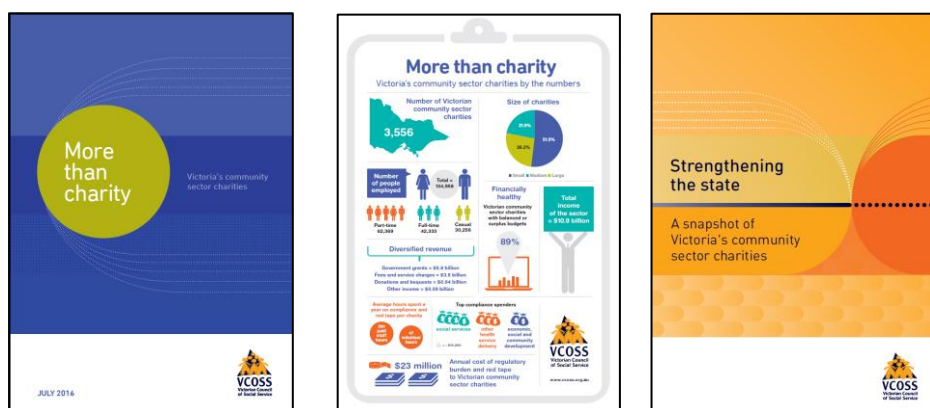
VCOSS, *Strengthening the state: A snapshot of Victoria's community sector charities*, 2015

VCOSS, *More than Charity: Victoria's community sector charities*, 2016

The Tasmanian Council of Social Service

Cortis, N. and Blaxland, M. (2016). The State of Tasmania's Community Service Sector, 2015 (SPRC Report 02/16). Sydney: Social Policy Research Centre, UNSW Australia

ACTCOSS, NCOSS and WACOSS are developing *State of Community Sector* reports using ACNC data. Other COSSes are considering doing so.

The not-for-profit community sector has long had difficulty articulating its economic contribution, and its role in building civil society due to the absence of reliable, independent data. The sector generates significant employment growth and contributes billions of dollars to the Australian economy from diverse revenue sources.

The AIS data is the only national data collection quantifying community sector charities' contribution to Australia's society and economy. It does not provide a complete picture, as many community sector organisations supporting people to overcome poverty and disadvantage are not registered charities. However, without a more complete data set, the AIS is the best available information of the community sector's contribution, and allows disaggregation by State and Territory, despite the exclusion of some organisations.

Data integrity and longitudinal stability allows the COSSes to present accurate information and assists with profiling and advocacy for the community sector. This is particularly important because of the transformational changes occurring by consumer directed care models, such as the NDIS, mental health and aged care reforms. For example, the health and community sector employs 1.4 million workers: more than any other industry; and accounts for 12 per cent of the total Australian workforce.[5] Almost 200,000 additional healthcare and social assistance jobs are projected in Victoria alone by 2031.[6]

The COSSes support the ACNC's objective to reduce red tape and charities' reporting burden. Any changes to the AIS need to balance collecting high quality, sector relevant data and charities' burden in completing it.

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[5] Community Services and Health Industry Skills Council, *Environmental Scan 2015: Building a Healthy Future: Skills, Planning and Enterprise*, 2015.

[6] Presentation by Richard Bolt, Secretary, Department of Economic Development, Jobs, Transport and Resources, *The Future Economy and the role of Government*, Institute of Public Administration forum, February 2016.

Response to consultation questions

1. Should the ACNC collect information on full-time-equivalent (FTE) staff instead of headcount figures?

The current question asks charities to report the number of:

- **Full-time employees** (work 35 hours or more per week)
- **Part-time employees** (work less than 35 hours per week)
- **Casual employees** (work any number of hours but do not get paid personal or holiday leave)

Despite guidance provided by the ACNC, the wording of this question is unclear. Staff can be employed casually, but work either full-time or part-time. This creates the potential for double counting or confusion.

The changes between the 2013 and 2014 AIS means it is not possible to compare between years because of data inaccuracies. For example, the following table[7] shows the substantial difference in Victorian community sector employment figures from the two years.

Paid workers in community sector charities	2013 AIS	2014 AIS
Number of full-time paid workers	33,797	35,539
Number of part-time paid workers	63,161	56,152
Number of casual employees	Not asked	27,207
Total number of employees	96,958	118,898

The COSSes do not believe this problem is resolved by replacing this headcount question with full-time-equivalent (FTE) staff numbers.

This change compromises meaningful use of the AIS data. Discontinuing measurement of casual and part-time workers means the COSSes cannot quantify the workforce effects of dramatic reforms, including whether employment is more insecure or casualised.

Calculating FTE makes the AIS harder for charities to complete, producing further inconsistencies and data unreliability. The COSSes recommend two questions be implemented for the 2017 AIS and consistently used in subsequent years without change.

> **Recommendations**
> Do not change paid employment question to replace the number of employees with the number of full-time-equivalent (FTE) staff
>
> Create two questions in the AIS to replace the current employment question
> 1. *During the last pay period, how many staff did your charity employ?*
>
> Full-time staff (35 hours or more per week)
> Part-time staff (less than 35 hours per week

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[7] Using the same methodology to categorise the sample Victorian community sector charities (see note 3)

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> *2. Of these staff, during the last pay period how many staff were employed on the following basis:*
> Permanent or ongoing
> Fixed term contract
> Casual

2. (a) Should the AIS be used to ensure that charities provide up-to-date details for all responsible persons?

(b) If yes, which option do you prefer?

> **Recommendations**
> The AIS be used to ensure that charities provide up-to-date details for all responsible persons.
>
> Option 2 is the best option: A charity should be prevented from submitting an AIS unless they confirm that their responsible person details are up to date.

3. (a) Should the 2017 AIS include a question (or questions) on governance standards or should charities be asked to declare that they are meeting the ACNC governance standards before submitting the AIS?
(b) If you think the ACNC should ask a question (or questions), what/how should we ask?

Including additional questions on governance can create more red tape and a higher reporting burden. Many charities report to the relevant state or territory regulator with financial and governance information. Commonwealth, State and Territory funding agencies already monitor governance standards by conducting quality audits and accreditation.

By developing the NDIS Quality and Safeguarding Framework, the Disability Reform Council also plans an NDIS Registrar to manage certification and compliance of NDIS service providers.

Ideally, the ACNC would be the sole governance compliance body for registered charities. Some jurisdictions have already moved towards this goal. However, it may take many years to align compliance for all jurisdictions via the ACNC's "charity passport". Governance questions need only be asked in the AIS once harmonisation is complete.

> **Recommendations**
> The AIS should not include any questions on governance standards to avoid duplication of reporting
>
> The ACNC should continue to work with the Australian state and territory governments to create a "charity passport".

4. Should charities have the option to upload their Annual Reports in the AIS?

The COSSes agree useful information contributing to transparency and public trust is often provided in organisations' Annual Reports.

> **Recommendation**
> The AIS allows charities to upload their Annual Reports

5. Should the ACNC seek a further breakdown of the areas in which charities operate?

The AIS only collects the location of charities' headquarters, causing difficulty in analysing the community sector charities' regional contributions. For example, there were limitations noted in the VCOSS case study of the economic contribution of community sector charities to regional communities.[8]

Other jurisdictions, such as the Northern Territory and Western Australia, have many fly-in-fly-out services or large organisations outreaching into regional and remote communities. Quantifying service delivery locations, outside of head office, would particularly benefit services in these jurisdictions.

Some charities would be challenged in provides these details, such as peak bodies and larger charities.

Consequently, the COSSes recommend including a question such as "Please list all the postcodes your charity has physical offices/accommodation". While not capturing every postcode a charity provides outreach services, it would be easier for charities to complete. This would allow community sector charities' contribution to regional and rural areas to be measured.

> **Recommendation**
> The AIS allows better charity location analysis by asking the postcode of all their physical offices/accommodation.
> The option be added to select 'State-wide' or 'National' for those large charities and/or peak bodies.

6. Should the ACNC amend the question on beneficiaries so that its format is the same as the question on activities?

The COSSes agree the current method of recording beneficiaries is unhelpful because many charities serve multiple beneficiaries.

Greater specificity of charity target groups allows changes to be tracked, in light of the rollout of NDIS and aged care reforms. The COSSes endorse the changes outlined in the consultation paper.

> **Recommendation**
> Amend the question on beneficiaries so its format replicates the question on activities

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[8] VCOSS, *More than Charity: Victoria's community sector charities*, 2016, Page 18

7. (a) Do you support the inclusion of sales and investment income in the income statement?

(b) Should sales and investment income be compulsory for all charities regardless of size?

It assists data analysis if fields are separate for sales and investment income. Given these are already distinguished in the standard chart of accounts for charities, it should not be difficult to complete.

A strength of the community sector is diversified sources of revenue, which assists the development of an independent and thriving sector. It also helps with advocacy for small, often locally based charities, that raise funds in their communities.

> **Recommendation**
> Include sales and investment income in the income statement for charities

8. Do you support the removal of the question asking charities if they are up to date with their subtype(s), governing documents and responsible persons?

> **Recommendation**
> Yes. Remove the question asking charities if they are up to date with their subtype(s), governing documents and responsible persons, because they already declare whether they are up to date with their obligations when they complete the declaration.

9. Do you have any suggestions to improve the functionality of the AIS?

Data collection and release improvement

Many of the 2014 AIS financial fields did not auto-calculate. For example, revenue fields did not sum to total revenue. Small charities could enter income levels that categorised them as a medium or large charity. Small charities could employ large numbers of people, despite having an income insufficient to do so.

When completing the 2014 Australian Charities Report, The Centre for Social Impact and the Social Policy Research Centre developed an excellent data cleaning methodology. The data collection system should include algorithms based on this data cleaning methodology to prevent inaccuracies.

The data provided on data.gov.au was raw data, and had not been cleaned. Data users take a long time to recreate the data cleaning methodology agreed by the ACNC for reporting.

All data released on data.gov.au should be released based on the agreed data cleaning protocols to increase the accessibility for users.

> **Recommendations**
> Improve data collection process to auto-calculate or verify fields to prevent errors

Provide cleaned data for data users on data.gov.au.

Additional questions to include in the 2017 AIS

The COSSes believe the ACNC should consider including the following items in the 2017 AIS.

- The paid employment of Aboriginal and Torres Strait Islander people in charities
- The paid employment of people with disability in charities.

This additional information is beyond what has been included in the past, and raises increased regulatory burden concerns. However, given the Closing the Gap and NDIS aspirations, including these questions annually dramatically increases the charitable sector's ability to understand its contribution to these aspirations, and provide further momentum for action.

Some Aboriginal and Torres Strait Islander people or people with disability will have not provided this information to their employer. Further consultation with relevant peak bodies determine the exact wording of the question would be required before their inclusion.

These data are also traditionally very hard to locate, and including them would provide a cost effective way of collecting national data that can be disaggregated at state and territory levels.

Recommendation

Include questions on employment of Aboriginal and Torres Strait Islander people and people with disability in the 2017 AIS.